Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong ...... HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Syrians learn to do without the bare necessities, Page 6

World News

Another conservative named for US Court

President Ronald Reagan yesterday announced a new Supreme Court nominee to replace Judge Robert Bork, his defeated first choice and told the US Senate that it was vital to have a quick confirmation.

He named Judge Douglas Ginsberg, 41, a former Harvard Law School professor and head of the Justice Department's anti-trust division.

Judge Ginsberg's selection is a victory for US Attorney-General Ed Meese who had urged Mr Reagan to nominate a conservative judge and to stand firm against liberal pressure groups' opposition.

French gas alert

About 50,000 people were ordered to evacuate their homes near Nantes, western France, when a 15km cloud of toxic gas drifted down the River Loire from a fire in a manure silo. Some 24 people were injured.

US-Saudi jets deal

The Reagan Administration told Congress it intended to sell F-15 jet fighters and other military equipment worth a total of $997m to Saudi Arabia. Legislators had 30 days to debate the plan.

Hormone pact near

The US appeared poised to accept an EC plan which would enable most member states to postpone a controversial ban on beef produced with hormones. Page 26

Italian rail strike

A 24-hour unofficial strike by Italian railway workers - over pay and conditions - left only 10 per cent of Italy's trains running. Strike laws planned, Page 2

French soldiers shot

Gunmen opened fire with submachine guns on three French embassy guards in Christian east Beirut, killing two and wounding the third. Page 6

Space spending urged

Western Europe must double its spending on space projects to reduce dependence on the US for vital high-technology and security needs, a joint report by research institutes in Bonn, Paris, London, the Hague and Rome said. Space agency meeting, Page 4

Soviet 'mafia' exposed

Corruption and embezzlement under former Soviet leader Leonid Brezhnev reached the highest circles, with ministers and even higher officials involved in a "mafia" of bribe-takers, a Soviet legal expert claimed.

Iranians seek asylum

Sixteen Iranians on a flight from Cuba asked for political asylum in Ireland after leaving a Moscow-bound airliner at Shannon Airport. Irish officials were investigating their background.

Iran retaliates

Iranian artillery launched a heavy bombardment on Basra in retaliation for the resumption of Iraqi air raids on Wednesday. Page 6

Press shield sought

West German government and opposition deputies called for new laws to protect journalists after the Supreme Court ruled that reporters must surrender notes, tapes or films to police if required.

Locusts head for Spain

Fruit and vegetable farmers in southern Spain prepared chemical-spraying aircraft to tackle a cloud of locusts expected to arrive from Algeria.

East-West art accord

West and East Germany agreed to return a combined total of 430 works of art evacuated from galleries during the Second World War and stored in each other's territory since then.

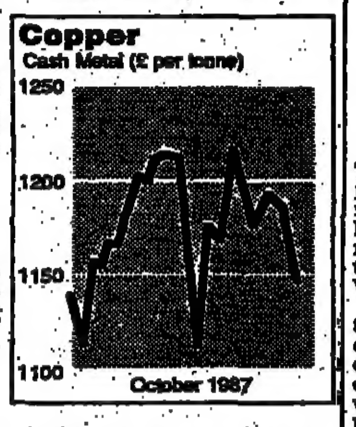
Business Summary

US deal on EC meat hormone ban delay

US appears poised to accept a European Community plan which will enable most member states to postpone the controversial ban on beef produced with hormones. Page 26

COMPAQ COMPUTER, US personal computer manufacturer, has announced dramatically higher third-quarter net earnings of $36.4m, or 94 cents a share, compared with $8.7m; or 31 cents for the same period last year. Page 27

COPPER prices fell sharply on the London Metal Exchange as investors remained wary of buying. The Cash Grade A quotation closed at £1,146 a tonne, down £40.50 on the day. Page 38



GOLD fell to $472.75 ($478.25) in Zurich. Page 38

DOLLAR closed in New York at DM1.7395; Y138.75; SFr1.4385 and FFr5.8675. It fell in London to DM1.7280 (DM1.7530); to Y138.15 (Y139.25); to SFr1.4335 (SFr1.4440); and to FFr5.8256 (FFr5.8750). On Bank of England figures the dollar's exchange rate index fell 0.5 to 98.3. Page 39

STERLING closed in New York at $1.7125. It rose in London to $1.7205 ($1.7180); but fell to DM2.9725 (DM2.9975); to FFr10.0225 (FFr10.05); to SFr2.4675 (SFr2.47); and to Y237.75 (Y238.25). The pound's exchange rate index rose 0.2 to 74.6. Page 39

ANHEUSER-BUSCH, world's largest brewer, has shown a 19.2 per cent increase in third-quarter net income to $182.5m or 65 cents a share as its beer brands added to their already dominant US market share. Page 27

BETHLEHEM Steel, large US intergrated steel company, reported third-quarter earnings of $30.4m or 47 cents a share against a loss of $71.3m in the 1986 September quarter. Page 27

GENERAL RE, largest US re-insurance company, reported a strong increase of 143 per cent in its operating income to $120.1m in the third-quarter to September. Page 27

RAND MINES, mining arm of South Africa's Barlow Rand group, reported lowered turnover in the year to September - down to R760m ($376.2m) from R787m in part because a chrome mine was swapped for a minority interest in a vanadium mine development. Page 27

GOLDFIELDS Industrial Corporation, South African machine tools company 64 per cent owned by B Elliot of the UK, increased turnover in the six months to September to R23m ($11.4m) from R20.7m and pre-tax profits rose to R2.43m from R1.68m. Page 29

EDGARS STORES, South African fashion group, lifted turnover by 28 per cent in the six months to September to R543m ($268.8m) from R423m. Page 29

WESTERN Continental Corporation, owned by Mr Yosse Goldberg, became the first major victim of the Australian share market crash when it was placed in receivership. Page 29

BANK BUMIPUTRA, large Malaysian bank, returned to profits in the year to March for the first time since it was bailed out in 1983 by Petronas, state oil company. Net profits were 5.7m ringgit (US$2.27m). Page 30

Soviet Union says US summit will be held before the year is out

BY PATRICK COCKBURN IN MOSCOW AND LIONEL BARBER IN WASHINGTON

US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, will definitely hold a summit meeting by the end of the year, the Soviet Foreign Ministry said yesterday.

Mr Boris Pyadyshev, deputy foreign ministry spokesman, said Mr Eduard Shevardnadze, the Soviet Foreign Minister, who is to be in Washington tomorrow and Saturday would focus on completing an agreement to abolish intermediate nuclear forces (INF).

"Along with the INF issue, it is necessary to do preparatory work in Washington so that productive discussion can take place at the forthcoming summit later this year on halving strategic nuclear arms and the question of retaining the Anti-Ballistic Missile treaty," Mr Pyadyshev said.

The White House said that a date for a summit had not been fixed, but indicated that Mr Shevardnadze might bring a proposal with him.

Mr Reagan is scheduled to meet Mr Shevardnadze at the White House today. The meeting will follow talks at the US State Department between the Soviet Foreign Minister and Mr George Shultz, the US Secretary of State, accompanied by Mr Frank Carlucci, Mr Reagan's National Security Adviser.

US officials are waiting to see if Mr Shevardnadze will convey new proposals on space weapons and strategic ballistic missiles and make an agreement in principle in these areas a condition for a summit meeting.

The Soviet Union now seems to be backing away from the refusal by Mr Gorbachev last Friday to set a date for the summit because no progress had been made on limiting Mr Reagan's Strategic Defence Intiative, or Star Wars.

Nevertheless, the overall Soviet objective remains the same: to use the impending INF agreement and summit as a lever to get the US to reach an agreement on the 1972 ABM treaty which would open the way for 50 per cent cuts in the strategic nuclear forces of the two sides.

Mr Pyadyshev said yesterday that there had been "signs of compromise from the US side in very recent times.

"We have an understanding that alongside the INF treaty, questions of strategic arms reductions and preservation of the ABM treaty will be discussed in great detail. This is enough for a summit to be held."

Mr Shevardnadze was due to fly to Washington from Prague last night carrying a letter for Mr Reagan from Mr Gorbachev.

The Soviet Union spokesman said that Moscow believed it would be possible at the summit to draw up a list of key instructions to negotiators at the Geneva nuclear disarmament talks on strategic weapons cuts and ABM.

This would open the way for an agreement on these two issues to be drawn up in the first half of next year. At the first summit between Mr Reagan and Mr Gorbachev in Geneva in 1985, it was agreed that the Soviet leader would visit Washington followed by Mr Reagan coming to Moscow.

Mr Pyadyshev said an outline accord on strategic weapons and the ABM could be signed at a summit in the Soviet capital next year.

Editorial comment, Page 24

Trading remains volatile • Britain may act on interest rates

Dollar loss limited by further support

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE DOLLAR remained under pressure on foreign exchange markets yesterday, although its losses were limited by a further round of central bank intervention and by a strong recovery on Wall Street.

During another day of volatile trading, attempts by the Group of Seven nations to "talk up" the dollar by re-affirming their commitment to February's Louvre accord were undercut by uncertainties over progress in negotiations to cut the US budget deficit.

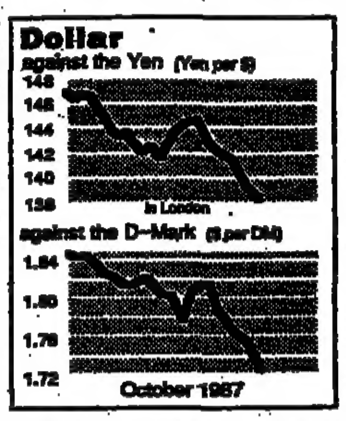
European officials said that central bank intervention over the past two days now totalled well over $2bn. Part of that, however, represented intervention by the Bank of England to hold down sterling's value against the D-Mark and action by the Bank of France to support its currency in the European Monetary System (EMS).

In London there was intense speculation that the Bank will soon move to repeat last week's cut in interest rates, although the timing of any such move would depend on reaction to the Government's decision on the BP issue.

The turmoil on both stock and foreign exchange markets, which has now begun to create strains within the EMS exchange rate mechanism, will be discussed by senior European monetary officials at a meeting in Brussels today.

Officials stressed that the meeting of the Community's Monetary Committee had been scheduled several months ago. They acknowledged, however, that the stock market crash, the dollar's slide and the implications for the EMS were now likely to be the main items on the agenda.

Foreign exchange dealers in Paris said yesterday that after initially supporting the French franc in the markets, the Bank of France had subsequently allowed the rate to fall below its central rate against the D-Mark. The West German currency traditionally benefits more than its EMS partners from a falling dollar.



The Community's officials are likely to discuss whether their September agreement providing for increased intervention within the EMS should come into operation, although the legal formalities apparently have not yet been concluded.

Re-affirmations of the Louvre Accord came from finance ministers and central bankers in almost every major capital, including from Mr James Baker, the US Treasury Secretary. In Tokyo, Mr Kiichi Miyazawa, Japan's Finance Minister, said that, if necessary, central banks would continue to intervene agressively in the markets.

Mr Edouard Balladur, the French Finance Minister, called on the three biggest industrial economies to establish the conditions for an early meeting of the Group of Seven. These conditions included large cuts in the US budget deficit - substantially more the $23bn envisaged in the Gramm-Rudman law - and lower interest rates in West Germany and Japan.

He also called for a major strengthening of the Louvre accord to include joint management of interest rates.

Mr Jacques Delors, the president of the European Commission, faced strong criticism from a number of finance ministers and central bankers for his comments earlier this week suggesting that the US was prepared to allow the dollar to fall sharply. Yesterday the Commission said that Mr Delors had not been briefed on US intentions.

On the foreign exchange markets, the dollar received some support from a sharp fall in West German money market rates following a decision by the Bundesbank to inject liquidity into the markets. The fall in borrowing costs was seen as possibly paving the way for a cut in the Bundesbank's official repurchase rate next week, although in part reflected what officials said were special end-of-month factors.

The US currency's losses were also limited by the central bank action intervention, particularly after the US Federal Reserve was reported as buying dollars in the New York market.

Traders, however, said that there was little conviction that the dollar could be sustained at

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Markets in turmoil, Page 2; Lex, Brussels wields the blue pencil, Page 26; Currencies, Page 29; World stock market reports, Page 50

Lawson gives BP share issue go ahead

By Peter Riddell and Janet Bush in London

BRITAIN'S £2bn ($1.71bn) BP share sale is to go ahead but the Bank of England will buy back shares for the next month or two at current market prices.

Mr Nigel Lawson, the British Chancellor, announced the decision in the House of Commons just after 10pm last night, after several days' speculation.

The offer closed heavily under-subscribed on Wednesday and dealings are due to start at 2.30 pm this afternoon.

The Chancellor said that, after consultations, as laid down in the prospectus, he had decided that "the offer should proceed".

But he recognised "the concern that, in current unsettled market conditions, the sale could have an adverse effect on market sentiment, particularly in markets outside the UK, where underwriting is concentrated in relatively few hands".

Consequently, to prevent a disorderly market in partly paid BP shares, Mr Lawson said that "the issue department of the Bank of England will be ready for the next month to purchase these partly paid shares at a price of 70p, which is roughly equivalent to the price implied by the level at which the fully paid shares closed in London.

"These arrangements, which will be put in place as soon as practicable, will last for at least one month, and not more than two months. Partly paid BP shares acquired by the issue department will not be resold within the next six months, unless the price rises above 120p."

Mr Lawson said these arrangements allowed taxpayers to secure the full proceeds of the BP sale, ensured that there are orderly after-markets, and made quite sure that the sale

Continued on Page 26

Reagan raises Sprinkel to Cabinet post

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan has persuaded Mr Beryl Sprinkel, his personal economic adviser, to withdraw his resignation because of the turbulance in financial markets.

He has been promoted to a Cabinet post.

The White House said yesterday that Mr Reagan wanted Mr Sprinkel to stay on as chairman of the Council of Economic Advisers because of a continuing need for "sound advice and seasoned judgment."

Mr Reagan has been widely criticised on Wall Street and in the Congress for initially downplaying the stock market crash.

However, the decision to retain Mr Sprinkel is more a cosmetic move than a decisive shift in economic policy-making and may reflect earlier difficulties in finding a high-calibre replacement during the final 12 months of Mr Reagan's preisdency.

Mr Sprinkel's promotion is the first time an economic adviser has been rewarded with a Cabinet post.

But Mr Marlin Fitzwater, White House chief spokesman, rejected suggestions that the post was the price to persuade Mr Sprinkel to stay on.

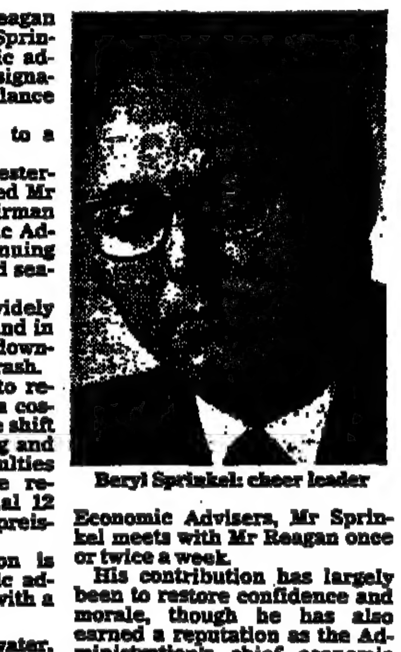
Mr Sprinkel, 63, a Chicago school monetarist, was a protegee of Mr Donald Regan, the former White House chief of staff.

He entered the Reagan Administration in 1981, and early in 1985 became chairman of the Council of Economic Advisers.

He was once seen as a possible chairman of the Federal Reserve, the US central bank.

But the post went to Mr Alan Greenspan last August and a month later Mr Sprinkel announced his intention to return to the private sector.

As chairman of the Council of Economic Advisers, Mr Sprinkel meets with Mr Reagan once or twice a week.


Beryl Sprinkel: cheer leader

His contribution has largely been to restore confidence and morale, though he has also earned a reputation as the Administration's chief economic cheer leader.

The White House steered reporters away from the impression that Mr Sprinkel's promotion would put him on a par with Mr James Baker, US Treasury Secretary, who chairs the Economic Policy Council.

Mr Baker, along with Mr Howard Baker, White House chief of staff, and Mr James Miller, Budget director, are holding talks with Congressional leaders on Capitol Hill to reduce the Federal Budget deficit which amounted to $148bn in the last fiscal year, ending last month.

Mr Fitzwater said officials were "very encouraged" by the progress made but the two sides were "several meetings" away from an agreement.

Wall Street advances sharply despite weakness in Far East

BY JANET BUSH IN LONDON AND RODERICK ORAM IN LONDON

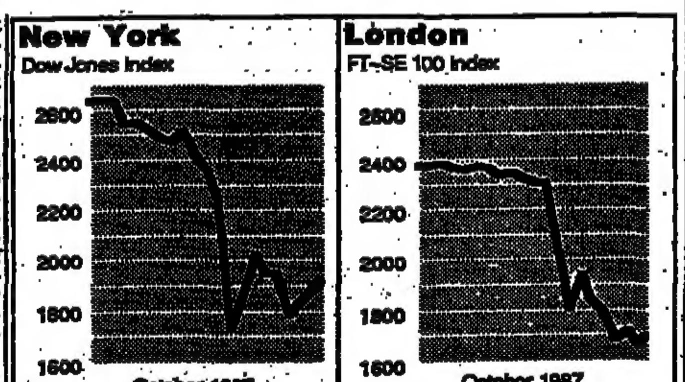
WALL STREET yesterday put in the healthiest and least volatile performance since its historic collapse on Monday last week, despite weak Far Eastern equity markets and a further slump in the dollar.

A sense of nervous optimism that stock markets might start to regain some stability was fostered by signs of easier monetary policy in the leading industrial nations, a further round of co-ordinated central bank intervention to support the dollar and a flurry of reassuring statements from Group of Seven officials.

For the first time in days, bond and equity markets moved higher in tandem, suggesting a moderation of the distressed switching out of shares into quality fixed-interest securities which so dramatically signalled the collapse in confidence in share markets last week.

The Dow Jones Industrial Average closed up 91.51 points at 1,938.33, its third best gain ever in points terms.

US investors became confident buyers of equities as soon as they saw the relatively stable openings of both bond and stock markets despite the shakiness of the dollar. The rally was broadly based as secondary and over-the-counter stocks joined the advance in blue chip issues.



In London, the FT-SE 100 index closed 23.6 points higher at 1682. Although shares had dropped sharply in Tokyo, equity traders reported healthy bargain-hunting for both Japanese and US stocks quoted in London.

There was a feeling that the UK market would have moved substantially higher had it not been for the uncertainty surrounding the British Government's issue of shares in British Petroleum, due to start trading today.

Uncertainty about whether the Treasury would stand up to the intense pressure, not only from the underwriters from the issue, but from the US and Canadian governments, and carry on with the issue had deepened the vulnerability of the London market.

Yesterday, traders seemed resigned to the strong possibility that the share issue would go ahead. There was, however, some relief as rumours circulated the market that the Bank of England, called in to arbitrate between the Treasury and

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The Vice-President makes a dent in his 'wimp' image, Page 6

GEORGE BUSH HITS BACK IN US ELECTION DEBATE

Collapse resurrects harsh questions ,about supervision of the markets globally

World's regulators urged to improve co-operation

ALEXANDER NICOLL, EUROMARKETS EDITOR,

THE COLLAPSE of stock markets around the world has given new impetus to calls for greater co-ordination among supervisors of financial markets.

In particular the crash has resurrected the questions - still unanswered - about how much capital backing is adequate for securities firms and about how securities traders should conduct their business - whether, for example, market makers have an over-riding obligation always to make prices.

The global nature of the crash has brought home the need for supervision to be more closely co-ordinated internationally.

Regulators - and especially central banks - have clearly been working together since the beginning of last week to try to avert a severe damage to the world's financial system. Most evident has been their willingness to pump liquidity into money markets, and their co-ordinated intervention in the currency markets, partly to prevent the dollar's fall from further destabilising stock markets.

Less obvious are increased daily discussions behind the scenes. Officials say the already close contacts between central banks have become more intensive in the past two weeks.

One of the main purposes of this is to seek advice or reassurance on the health of a foreign parent or subsidiary of an institution which falls under another country's regulatory structure. In the UK markets, for example, there are many companies whose ultimate regulator is elsewhere - perhaps the US Federal Reserve, the Securities and Exchange Commission or the Bank of Japan.

The reason for stepped-up co-operation has been made abundantly clear by the markets' movements. "Globalisation is here," says one securities market regulator, pointing to the way in which market declines have swept around the world from time zone to time zone.

Mr Rodney Galpin, an executive director of the Bank of England, put the problem more soberly in a speech yesterday. "Globalisation of markets and business diversification by banks complicate the task of obtaining an overview of the risks being run and of managements' ability to control them."

It is still far too early to say whether the efforts of recent days will avoid serious global financial problems. In many markets - such as the UK - transactions conducted last week have not yet fallen due for settlement.

Many people in the markets believe that there could be many nasty surprises around the world in coming weeks as losses resulting from the huge price falls are disclosed.

The fear is that big losses will be uncovered in one market for an institution which has a parent or subsidiaries operating in other markets in other countries. This could cause a chain reaction with potentially severe effects around the world.

This could happen in Hong Kong. International banks and stockbrokers were severely exposed to the potential consequences of the futures markets' problems, and the Government stepped in to orchestrate a HK$4bn rescue scheme.

Beyond the quiet talks of the last week lies a fast-developing network of co-operation between regulators. Central banks of industrialised countries are close to agreeing minimum joint capital adequacy requirements for banks.

Separately, the UK has signed bilateral memorandums of understanding with the US and Japanese authorities. These aim to exchange information to stamp out offences such as fraud and insider dealing. In the end, Britain hopes to have many other bilateral agreements which will form an interlocking network.

There are also regular informal get-togethers, such as meetings of futures and options markets regulators each year during conferences at Buergenstock in Switzerland and Boca Raton in Florida.

The Bank of England and the London Stock Exchange have been urging heightened co-operation between securities market regulators along the lines of the Cooke Committee which brings together banking supervisors under the aegis of the Bank for International Settlements.

This week Sir Kenneth Berrill, chairman of the Securities and Investments Board, said the events of the past week meant that common standards of capital adequacy for firms operating in securities markets was a high priority.

And Mr Andrew Large, chairman of the Securities Association, which is to be the self-regulatory body for UK securities markets, said recent events "must have an impact in favour of getting much more co-ordination and information flow."

British regulators Sir Kenneth Berrill (left) and Andrew Large: call for better co-ordination

Capital level rules face review

Britain's recently drafted capital adequacy rules will be up for review after the stock markets' sharp movements, Alexander Nicoll writes.

Mr Andrew Large, chairman of the Securities Association - one of the bodies which has been drafting new rules - said yesterday: "It is clear that some of the factors upon which capital adequacy formulae have been devised by TSA and other regulators are based on probabilities with respect to volatility which have now been shown to be questionable."

He added, however, that it was still too early to tell whether standards of capital to cover securities firms' risk positions had in fact been sufficient. There was also a danger, he said, that the regulatory response in tightening capital requirements could be too tough.

Use of tax losses key to securities firms' survival

BY RICHARD WATERS

THE ABILITY of securities firms around the world to make the most tax-effective use of losses sustained over the past two weeks could determine their ability to survive, according to tax experts.

US and British firms, in particular, are in danger of suffering unrelieved losses.

"For medium-sized firms, that could make the difference between them surviving and going under," said Mr Roger Emmerson, a tax expert with Coopers & Lybrand in London.

Large banks which have bought into the securities business in recent years may also base their continuing involvement in the area on their ability to use losses tax-effectively, said Mr Derek Jenkins of Deloitte Haskins & Sells.

For US securities firms, the main problem will be finding suitable profits against which to set the losses of recent days. Losses on securities can be offset only against similar profits - not against general trading income.

British firms, on the other hand, can carry losses forward or back against any form of income. But the securities subsidiaries of British groups present a different problem: losses of one company in a group can be used only to reduce the taxable profits of the group as a whole in the year they are incurred. This group relief cannot be carried forward or backward.

Few firms are likely to have profits against which to set the new losses. The costs of entering the new securities markets have already soaked up profits in many cases. "It's pretty well known that some securities firms already have some big tax losses being carried forward," says Mr Jenkins.

The tax treatment of provisions against loans to developing countries could also cause problems. In Britain, banks claim that these provisions should be allowed against tax. If the Inalnd Revenue agrees, taxable profits for this year could be wiped out - leaving a loss that will have to be carried forward.

"The losses haven't come at a good time, given the tax capacity of banks at the moment," says one tax accountant. "The losses will have to go forward. There is no immediate tax relief."

Tax experts are now sifting through ways for firms to reshape their losses on shares to make them more tax effective.

One method for US firms may be to create a capital gain, for instance by buying in the fixed interest securities market, to set against the capital loss. If the buying is financed with a loan, the interest costs will then be allowable.

But this means of transforming a capital loss into a revenue expense relies on the ability of firms to borrow heavily - and the credit rating of securities firms is at a low ebb at present.

Tax experts also suggest that losses may be shifted between years, or between members of a group, by the use of swap arrangements. Provided the arrangements are at arms' length, they will escape the tax net. But these techniques are likely to draw the attention of Revenue authorities on both sides of the Atlantic, which in future will no doubt be alert to any sharp practice involving securities losses.

In the last resort, the only option for some firms may be to sell out, giving a larger saviour the use of its tax losses.

Another problem for some firms will be realising their losses for tax purposes in the first place. In Britain, the shares held by market makers and brokers are regarded as stock in trade. They are "marked to market" - that is, the firms are deemed by the Inland Revenue to make a taxable profit or a tax loss as the market in the shares moves, without actually needing to sell them.

US practice differs. Only market-makers' stock is treated this way. The result, says one tax expert, could be that US parents will sell stock to UK subsidiaries to realise their losses.

Similarly, institutions in the UK which are outside the marking-to-market rule may be encouraged to sell stock to crystalise losses.

Bed and breakfasting - the practice of selling shares one day and buying them back the next, with the sole object of crystalising a loss - is one way of doing this. As with their loans to Third World countries, banks may also enter into arrangements to exchange securities with one another to realise their losses for tax purposes.

But as one tax adviser said earlier this week: "The tax consequences are the last thing on their mind at the moment. They want to make sure they still have a business first."

Britain's big insurers ride out market storm

Insurance companies are coping with the crash much better than in 1974, writes Nick Bunker

WOUNDS inflicted by the last global stock market crash - the long "bear squeeze" of the mid-1970s - left deep scar tissue in the boardrooms of Britain's composite insurers.

On one level, the last fortnight's turmoil has proved however to be only a minor irritation for the five biggest companies, in spite of their heavy involvement in equity markets - where they hold between 25 and 45 per cent of their general insurance funds.

For Commercial Union, General Accident, Guardian Royal Exchange, Royal Insurance and Sun Alliance were probably stronger financially this summer than they have been at any time since the late 1960s. It has been a far cry from 1974. Then, says Mr Tony Wyand, CU's head of finance and investment: "To many people in the City, it really did seem like the end of the world."

Nevertheless, the crash of '87 has subtly changed some features of the international insurance landscape.

For instance, the prospect of foreign takeover bids for composites, triggered by the presence of Australian corporate raiders, looks to have receded. Mr John Spalvins, whose company Adelaide Steamship declared a five per cent holding in Royal Insurance last month, could now be sitting on a loss of £35m to £40m.

He is believed to have built up his stake at an average price of about 540p per share, but Royal is now trading at below 400p. Adsteam's own share price has slipped back heavily. "There's a lot of singed flesh down under," said a gleeful main board director from one of the other composites.

Also, the equity market losses have taken a slug of capital out of the industry. This could lessen competitive pressures, staving off price wars between non-life insurance companies in the US or the UK.

For the time being, there seems little prospect of a re-run of the events of December 1974, when over lunch at Prudential Assurance a group of insurance company investment managers agreed to begin buying equities in an effort to end the bear squeeze.

For 1974 represented a lethal combination of adverse factors of which only one - an equity market collapse - is present now. The bear squeeze coincided with rising interest rates which savaged the value of the composites' bond portfolios, plus a period of high inflation immediately preceding a sharp down-turn in 1975 in the pre-tax earnings of the US property/casualty insurance industry, where CU, Royal and GA were heavily exposed.

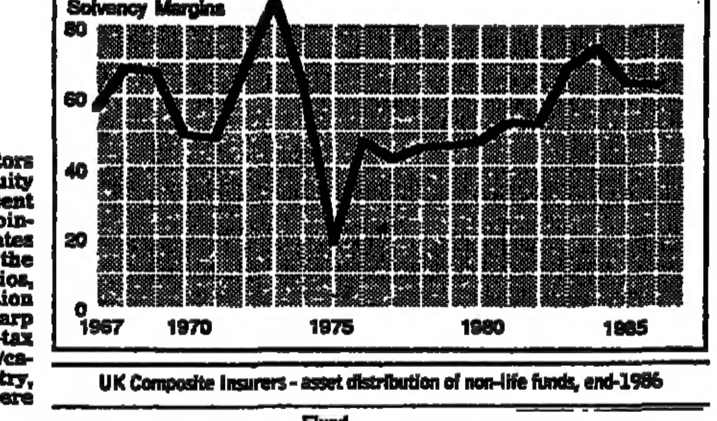
The combined impact was to erode rapidly the value of the composites' financial assets, at a time when wage costs were pushing up their expenses and price inflation was driving up premiums but also the cost of paying claims.

These factors helped force down the composites solvency margins - which measure their shareholders' funds as a percentage of premium income. CU's solvency margin hit bottom at about 24 , still 14 points clear of the then legal minimum, but low enough to help prompt it to a £62m rights issue in September 1974.

1987, by contrast, has seen some solvency margins at almost record highs. Sun Alliance has been in the 90s, while GA has had a margin of more than 100, and even a 20 per cent fall in equity markets still leaves all five composites with solvency margins between 56 and 76.

For besides riding up on the long bull-market in equities, the composites have been benefitting in cash flow and earnings terms from a steep worldwide cyclical upturn in non-life insurance premium rates that started in the US in mid-1984 and should give Royal, the biggest group, pre-tax profits of more than £400m this year. Even the downswing now under way in some US premium rates is not expected to hit bottom line earnings until after 1988.

This also helps explain why the composites have been relatively calm about the impact of claims from this month's hurricane in the UK - even though analysts are working on assumptions that it will cost Sun Alliance, the worst hit company, about £70m to £80m.



UK Composite Insurers - asset distribution of non-life funds, end-1986

Company name	Fixed interest stocks	Equities	Property	Deposits
Commercial Union	62	26	6	6
General Accident	46	42	7	5
Guardian Royal Exchange	49	31	10	10
Royal Insurance	65	26	5	4
Sun Alliance	39	37	19	5

Source: Wood Mackenzie. General Accident figures are estimates only.

Surprise as US bonds market defies impact of falling dollar

BY ANATOLE KALETSKY IN NEW YORK

THE RECENT turmoil in the world's financial markets seems to have left the US monetary authorities with more freedom of manoeuvre and made them less dependent on the goodwill of Japanese investment institutions.

This was the unexpected message of yesterday's activity in the US bond and money markets, as the Federal Reserve Board continued to intervene aggressively to cut short term interest rates, blithely ignoring the overnight collapse of the dollar in Japan and Europe.

By all previous experience, yesterday should have been a disastrous day for the US bond market. With the dollar plunging to a new post-war low against the yen, and Wednesday's unexpected announcement that the Treasury would go ahead with an auction of 30-year bonds next Thursday, investors should have been rushing for the exits.

The Treasury's announcement was especially surprising. Congress, in its last vote on the Federal debt ceiling, had put a limit of $5bn on the new long-term bonds which could be issued without new legislative authority. It had been widely expected that the Treasury would use this limitation as an excuse to delay any offering of long-term bonds until the markets had calmed down. But the authorities made no concession to the market's sensitivities, announcing the issue of $4.75bn worth of new 30-year bonds.

Despite this overhang of new securities, the bond market opened higher and moved upwards throughout the morning, even though the efforts of central bankers around the world to boost the dollar showed few signs of success. By lunchtime the Treasury's long bond had gained ¾ of a point on Wednesday's overnight close, despite the continuing fall in the dollar, which was setting new lows at Y138.30 and DM 1.735.

A few weeks ago, a sequence of events like this would have left everybody in the market asking the same bearish question: How on earth will the Japanese be persuaded to bid for the new bonds considering the collapse of the dollar?

Today, however, the market's tone seems entirely different. The Japanese will probably be "persuaded" to bid by their own authorities, who are desperate to keep a lid on the soaring yen. And even if the Japanese stay away, there are now plenty of domestic investors afraid of imminent recession and looking for a safe haven in the fixed-interest market.

Schwab loses $22m after single customer defaults

BY JAMES BUCHAN IN NEW YORK

CHARLES SCHWAB, the largest US discount brokerage, yesterday revealed that it had lost $22m or six month's earnings in the stock market crash largely because a single customer defaulted.

Yesterday's announcement is a deep embarrassment to the firm, whose own stock was yesterday trading at just a fraction of its price when it went public in August. It also raises further questions about the financial health of the millions of US retail investors who were caught by the crash 10 days ago with stock bought on brokerage credit, or "margin."

Mr Charles Schwab, one of the best known figures in the investment world through television and newspaper advertising, said yesterday: "The company can easily absorb this loss and Schwab will still exceed all regulatory capital and liqudity requirements." The company earned $22.2m in the six months from the end of March, when Mr Schwab bought the company he founded back from BankAmerica for $280m.

The company said yesterday that it was the booking thè loss after a single customer, who had been writing uncovered options, failed to meet margin calls - demands from the firm that it provide extra collateral to replace the loss in stock values.

In a court-approved settlement, the customer, whom the firm would not identify, will provide $67m in cash and securites over time to meet his obligations to Schwab of $84m. The present value of the difference, along with reserves against another $13m in debts from other customers, is $22m.

Schwab said that it had reassessed its credit and margin requirements for some customers. In addition, the firm had taken a pre-tax loss of some $3m by taking onto itself the execution of orders for its customers at points when the normal execution mechanism failed last week.

Charles Schwab: deep embarrassment

Both Schwab and Fidelity Investments, the second largest discount broker, said that margin calls were running at much higher than normal rates but most customers were meeting them. "We have very few problems, " said Mr Jack Dwyer of Fidelity.

Balladur calls for early G7 meeting

BY IAN DAVIDSON IN PARIS

MR EDOUARD BALLADUR, the French Finance Minister, yesterday called for an early meeting of the Group of Seven main industrialised countries to discuss a four-point package for co-ordinating a response to the underlying causes of the world financial crisis.

He demanded immediate corrective economic action in the three largest economies, the US, West Germany and Japan. There must be a substantial reduction in the US budget deficit, much more than the $23bn provided for under the existing Gramm-Rudman Act, he said.

In West Germany and Japan, interest rates were unreasonably high and it was essential to reduce them and stimulate demand, he added.

This part of Mr Balladur's prescription was echoed by President Mitterrand, who called on the US to respect the Louvre agreements and to restore its budget and trade to balance.

"Get a hold of your economy," he said, "and do not compensate for your weaknesses by drawing in the money of others."

Speaking to the Economic and Social Council, Mr Balladur continued to take a reasonably optimistic view of the prospects for the French economy.

He saw no reason to assume that the stock market crisis would cause a significant slowdown in France. The recent decline in interest rates could be helpful for investment, he said.

However, the collapse of the dollar in the foreign exchange markets yesterday put the French franc under increasing pressure.

The second element in the Balladur package was a proposal for an extension and strengthening of the Louvre agreements drawn up in February this year by the Group of Seven (the US, UK, France, West Germany, Italy, Japan and Canada).

Mr Balladur argued that these agreements, which, with their detailed obligations on the management of national budgets, were designed to help stabilise the international currency system, should be extended to cover all aspects of economic, financial and monetary policy, as well as the management of interest rates.

Thirdly, he called for a permanent co-ordination of decisions by market authorities and the harmonisation of regulations governing financial markets in the Group of Seven countries.

Finally, he proposed the establishment of a permanent secretariat to supervise the implementation of the extended Louvre agreements.

Mr Balladur did not refer explicitly to the controversial remarks of Mr Jacques Delors, President of the EC Commission, who had asserted on Wednesday that the US was ready to let the dollar fall to DM1.60. But he did say that a substantial further fall of the dollar would be counter-productive.

The franc, which until this week had been the strongest currency in the European Monetary System, suffered more than other European currencies from the shift of capital into the D-Mark.

At yesterday's fixing, the D-Mark stood at FFr3.3725, up over 2 centimes to its highest recorded level. The franc slipped against most other European currencies except the Italian lira.

Dealers said the French monetary authorities appeared to have shifted tactics and to have stopped defending the franc at its central rate against the D-Mark within the EMS of FFr3.35386.

They said that a position within the EMS pack, rather than out in front as the exchange rate mechanism's strongest currency, would probably be easier to sustain in this week's more turbulent markets.

Some dealers also viewed the move to let the franc slip below its central rate as a warning signal to the West German Bundesbank.

Japanese confirm support for dollar

By Stefan Wagstyl in Tokyo

MR KIICHI MIYAZAWA, the Japanese Finance Minister, yesterday moved swiftly to deny reports that the US was prepared to see the dollar fall.

At a hastily-summoned press conference, he dismissed a report that a Japanese Ministry of Finance official had said earlier in the day that Washington was willing to accept a gradual weakening in the dollar.

Meanwhile, Mr Yasuhiri Nakasone, the outgoing Prime Minister, said the Group of Seven nations should meet at an appropriate time to discuss further policy co-ordination after the US Administration and the Congress had agreed on how to reduce the US budget deficit.

Mr Miyazawa said that leading industrialised countries remained committed to the Louvre Accord to maintain stable exchange rates. Simultaneously, his officials revealed that leading central banks had spent $1bn supporting the US currency on Wednesday.

Mr Miyazawa said the monetary authorities would continue to intervene "with strong determination in the currency markets." Traders in Tokyo said central banks intervened "massively" yesterday, with the Bank of Japan buying an estimated $200m to $300m.

Mr Miyazawa said the financial markets would be stabilised when the US announced measures to deal with its budget deficit. Before that happened, central banks could not just stand around and wait. They would intervene.

However, in the currency market the dollar continued its decline - opening at Y138.60 and closing at Y137.55, a six-month low. Traders said investors clearly believed that - despite Mr Miyazawa's remarks - central banks were indeed ready to see the dollar fall and were intervening merely to slow that decline.

The fall in the dollar hit confidence in the Tokyo stock market and the Nikkei index of leading stocks fell 543.64 to close at 22,033.89. But the yen's upswing pushed bond prices higher in hectic trading.

Riddle over fate of Kuwait's $90bn investment nest egg

Tony Walker assesses the impact of the crash on one of the world's biggest investors

KUWAIT'S best kept secret is the subject of much gossip these days in Kuwaiti banks and business houses.

The question being asked is: What impact has the collapse of world stock markets had on Kuwait's huge investments abroad, which in 1985-86 yielded more than its oil revenues?

Kuwait does not publish details of its foreign assets, so it has proved difficult to assess the extent to which the fall in international stock markets has damaged it. However, it is widely assumed that Kuwait's Reserve Fund for Future Generations, its main investment vehicle, includes at least a 25 per cent ratio of equities. The fund, which cannot be touched until early next century, had an estimated value of about $55bn before the collapse of stock markets.

Kuwait's other main investment fund is the State General Reserve, which notionally stood at about $35bn, though according to local estimates only about 20 to 25 per cent of these funds are yielding commercial returns.

Kuwait was obliged to dip into its reserves to help bail out local banks on the verge of collapse after a stock market crisis in 1982 wiped $90bn from the value of stocks in a few days of hectic trading. Investors had borrowed heavily to finance the stock market boom, which reached dizzying heights before a spectacular collapse.

Kuwaiti officials deny reports that the supposedly inviolate Reserve Fund has itself been raided to help finance a US$8bn bail out programme for local banks. These officials say that regulations requiring 10 per cent of Kuwait's budget revenues be lodged annually in Reserve Fund for Future Generations are scrupulously obeyed.

Financial analysts in Kuwait say that a 15 to 20 per cent slide in the nominal value of the Reserve Fund would probably be a reasonable estimate of the impact of the turmoil in world capital markets on the national Kuwaiti nest egg.

Kuwait invested heavily in European and North American blue chips. In some cases, stocks in these companies have depreciated more than the index.

Other Kuwaiti holdings tend to be in government bonds and property. A sizeable proportion of these investments are dollar denominated, so the slide in the value of the US dollar will also have had an impact on Kuwait's Reserve Fund.

An aggressive investment strategy has produced in the past several years dramatic growth in the size of Kuwait's international portfolio. The value of overseas holdings, according to one estimate, swelled by more than 40 per cent in the past three years. Kuwait can afford therefore to shed some investment fat in the present crisis.

One immediate effect of the stock market crash will be to subdue for the time being the activities of the Kuwait Investment Office in London, which handles most of the emirate's interests abroad.

The KIO has been an active, inventive and aggressive trader, buying and selling in an overheated market. The sheer weight of funds at its disposal has made it a heavyweight player in international investment markets.

A symptom of official concern about the rumours circulating among Kuwaitis over the extent of the Fund's depreciation has been the need felt by responsible figures to make calming statements about the impact of the stock market crash.

Dr Fahd Mohammed al-Rashed, managing director of the Kuwait Investment Authority, told KUNA, the Kuwaiti news agency, last week that since the country's investments were long term, abrupt fluctuations in the market were of less concern.

Dr al-Rashed said investments were "diversified and balanced." The margin of risk had been reduced. But he did observe that it would be quite some time before confidence returned to the market.

In Europe, Kuwait's investments range from a big shareholding in Daimler Benz of Germany to stakes in banks in Spain and the UK. Kuwait, for example, is a 14.5 per cent shareholder of the Royal Bank of Scotland.

Kuwait's investment income in the 12 months to June last year totalled KD2.49bn ($8.7bn). Figures are not yet available for financial year 1986-87, but proceeds from Kuwait's international holdings will again be substantial.

The picture for the coming year will not be so buoyant. Kuwaitis, who are being forced to live with the Gulf war raging on their doorstep, are learning to come to terms with bad news.

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France 'specialises in wrong areas'

BY IAN DAVIDSON IN PARIS

FOR ABOUT 10 years, French industry has been losing ground in its share of world markets, and has prompted an anxious national debate over the question of the competitiveness of French industry. A new study published by the National Statistical Office (Insee) suggests that the problem of French competitiveness is not essentially one of price, but rather of product specialisation.

Between 1979 and 1985, France's share of world production fell back from 5.5 per cent to 4.9 per cent, and this decline in world market share has slightly accelerated during the latter part of this period.

Meanwhile, import penetration of the French market has risen steeply, from 26 per cent in 1974 to 40 per cent in 1985.

France has lost market share in pharmaceuticals, cars and tyres, and even more in textiles and clothing, leather goods and electronics. By contrast, it has gained market share in steel products and in mechanical engineering.

The Insee study downplays the significance of overall price competitiveness, because over a ten-year period, the ratio between import prices and export prices has on average been virtually stable. Thus between 1980 and 1984, the franc depreciated by more than 20 per cent compared with the D-mark, but the import-export price ratio in trade with W Germany barely moved 1 per cent.

The explanation for the decline in France's world market share, according to the study, is that in a number of sectors French industry specialised in the wrong products or, more particularly, in the wrong price-quality bracket. On the whole, French industry has tended to specialise at the top end of the price bracket.

In the clothing sector, French specialisation at the top of the price range has become increasingly marked, with a growing gap between import amd export prices. But because the market trend has been towards low and medium price goods, French industry has lost ground.

In women's clothing, for example, the French export-import ratio fell over the ten-year period from 400 to 140 per cent, and that for shoes and fine leather goods from 200 to 50 per cent.

The car industry has lost market share at home, falling from 80 to 64 per cent, while its export-import ratio has fallen from 330 to 130 per cent, its share of German imports has fallen from 10.6 per cent in 1978 to 7.5 per cent in 1983.

By contrast, France has gained market share in steel products, in industrial boilers, in motors and compressors.

Chiefs turn focus to marketing

BY MICHAEL SKAPINKER IN FONTAINBLEAU

SENIOR European executives are paying increasing attention to matters they would previously have left to their marketing departments, according to a study published yesterday by Insead, the European business school at Fontainbleau.

The study, which was presented to an Insead conference on strategic marketing in the 1990s, found that senior European executives believed that three issues would be of particular importance in the next decade. They were the increasing emphasis on the quality of both products and services, the need to assess changing customer characteristics, and the importance of creating a marketing culture throughout the corporation.

The study found that these issues were seen as more important than matters usually regarded as the preserve of top management such as the development of international marketing strategies.

The study was based on interviews with chief executives, board members and other senior managers in 128 leading European companies. The research for the study was conducted by Insead in collaboration with six leading management consulting firms, including Arthur Andersen, Price Waterhouse and Rowland Berger.

The executives said that the creation of marketing strategies to take account of the increasing integration of Europe was a relatively unimportant issue. They said that coping with shorter product lifecycles was also low on their list of priorities for the 1990s.

The authors of the study point out that both these issues have received considerable press coverage in recent years. They say the fact that they are widely perceived by senior executives as being less important "may be due to their belief that they have already been satisfactorily addressed, or are dealt with at lower levels in the organisation."

Of the issues regarded as being most important, executives in the industrial goods and in the services sectors placed the quality of products and services at the top of their list. They said that customers are increasingly seeking a complete package of product and services. This meant that companies would have to pay greater attention to after sales service.

Executives in the consumer goods sector rated product and service quality as their second most important issue for the 1990s. They said their biggest concern was to assess the changing characteristics of their customers. They said that customers were becoming more sophisticated and demanding and companies would have to be flexible enough to meet their shifting needs.

Key Strategic Marketing Issues for the 1990s, Jean-Claude Larreche, Insead, Boulevard de Constance, F-77305 Fontainbleau Cedex, France, price available from Insead.

Italy planning laws to control strikes

BY ALAN FRIEDMAN IN ROME

THE Italian Government yesterday began planning legislation which could lead to controls on the right to strike.

With the nation's air, train and urban bus traffic virtually paralysed by the fifth day of wildcat strike actions, Prime Minister Giovanni Goria yesterday sought to project a determined image by convening nearly his entire cabinet to discuss the matter.

The three-hour meeting was taken up with discussions on legislative proposals, with a consensus emerging on the need for parliamentary action soon.

The issue will be raised again today at a cabinet meeting. Meanwhile, the Republican Party has already demanded that the Government find a way of guaranteeing public services in the absence of appropriate laws.

The Goria initiative for strike legislation emerged two weeks ago and is a popular political issue because of public exasperation over the recent wave of public sector stoppages. This week has seen wildcat strike actions by "autonomous unions". Since last Sunday, Rome's Fiumicino airport has been almost paralysed by alternating strikes by technicians, clerical workers and flight assistants.

Red faces over French arrest

By Paul Betts in Paris

PRESIDENT Francois Mitterrand looks likely to be personally embarrassed by the decision yesterday of a Paris magistrate to charge formally Mr Christian Prouteau, one of the President's key security advisers and the former head of the National Gendarmerie Intervention Group, the country's elite paramilitary police squad.

Mr Prouteau has been charged with allegedly bribing and tampering with witnesses in connection with the arrest five years ago of three suspected Irish terrorists in the Paris suburb of Vincennes.

The affair at the time was hailed by the Elysee Palace as an important breakthrough in the fight against international terrorism. But it soon turned into an embarrassing fiasco when the charges against the three Irish citizens were dropped and the elite police squad was accused of committing irregularities and planting incriminating evidence in the flat of the Irish suspects.

● General Maurice Schmitt, chief of staff of the French army, has been promoted chief of staff of the armed forces, in succession to General Jean Saulnier, who is retiring, writes Ian Davidson.

Although General Saulnier has reached the normal retiring age, the timing of his replacement represents a concession by President Mitterrand, who would have preferred him to stay on until the presidential elections next spring.

W German interest rates fall sharply

By Andrew Fisher in Frankfurt

WEST GERMAN short-term interest rates fell sharply yesterday, as the Bundesbank pumped more liquidity into the money markets in an attempt to bring calm and heal the rift with the US over monetary policy.

The German central bank again used the method of currency swaps, achieving a decline in call money rates to between 3.2 and 3.5 per cent compared with around 4 per cent the previous day.

This was the second day running that the Bundesbank had made the swaps available to the commercial banks. But yesterday's volume was large enough to give a clear signal that it is now prepared to act more forcefully to keep rates down, as desired by US and other policy-makers.

The Bundesbank's move coincided with a strong call for a clearer downward trend in German interest rates from Mr Alfred Herrhausen, co-chairman of Deutsche Bank.

He also called on the Federal Government in Bonn to do away with the Stock exchange turnover tax and bring forward planned cuts in personal and corporate tax rates as West Germany's contribution to renewed worldwide economic and financial stability.

The Government should either advance the tax cuts planned for 1990 to 1989, or add further to the tax reductions which are to be brought in next year, Mr Herrhausen said.

Banker held in Yugoslav case

A LEADING banker has been detained and an oil company is suing the state in continuing reaction to Yugoslavia's biggest financial scandal, the Belgrade newspaper Politika Ekspres said yesterday, Reuter reports from Belgrade.

Mr Jure Pelivan, 59, former governor of the National Bank of Yugoslavia's central republic of Bosnia-Herecegovina, was detained on Wednesday with two other local bankers for involvement in the "Agrokomerc Affair."

The three are being held pending investigation. Last month Vice-President Hamdija Pozderac resigned and 32 people were jailed.

Deadlock stalls EC food radiation talks

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Community yesterday temporarily abandoned attempts to get agreement between member states on permanent safety rules for radiation in food after nuclear accidents.

A meeting of EC ambassadors was instead last night trying to agree a temporary compromise to take the place of safety standards due to expire on October 31. If they fail, several member states have promised to set their own standards.

Last night's compromise, proposed by the Danish Presidency of the Council of Ministers, would still allow national authorities to set their own food radiation standards, but they would have to be no stricter than the current EC levels, imposed in the wake of the Chernobyl nuclear disaster.

Ambassadors remained so deeply divided over European Commission proposals to introduce less stringent radiation limits for the long term that they abandoned earlier plans to call a meeting of foreign ministers.

A majority of member states appeared ready to support Denmark's temporary scheme, which would have set no specific deadline for agreement on permanent limits.

France, Britain and Spain showed signs of shifting their tough opposition to continuing the present restrictive limits, but wanted some prospect of progress on setting standards for the long term.

Despite their apparent readiness to be flexible, officials said the Danish presidency seemed unwilling to push hard for a permanent deal. Denmark, supported by West Germany and the Netherlands, wants much stricter radiation levels than the Commission.

Legally speaking, member states could not in any case agree on radiation levels yesterday, because the European Parliament had previously delayed giving its opinion on the scheme, a prerequisite for adoption by member states.

Under the Commission's proposal, radiation would be limited to 1,000 becquerels per kilogram in dairy products and 1,250 bq/kg in food for three months after a nuclear accident, following which it would set new levels in the light of the seriousness of the disaster.

A panel of EC scientists, supported by London, Paris and Madrid think the figures should be four times higher, but the Commission scaled them down to try to get agreement.

Radical Moscow chief offers resignation

By Patrick Cockburn in Moscow

MR BORIS Yeltsin, one of the most radical of the Soviet leadership and head of the Moscow Communist Party, last week told the 300 member party central committee that he wanted to resign his post in frustration at the difficulty in introducing reform, diplomats in Moscow said yesterday.

It is unclear whether Mr Yeltsin's resignation will be accepted but his departure would be a blow to Mr Mikhail Gorbachev's plans for reform, particularly if he is replaced by a more conservative figure as head of the Moscow Party.

Mr Yeltsin, a non-voting member of the Politburo, is said to have come under attack from Mr Yegor Ligachev, Mr Gorbachev's number two in the Politburo, and Mr Viktor Schebrikow, head of the KGB security police.

Despite a reputation for radicalism, Mr Yeltsin has been slow to improve conditions in the Soviet capital, which has a population of 8.7m. Food supplies are little better and he has been criticised as a poor administrator.

Lisbon invites bid for shipyard

BY DIANA SMITH IN LISBON

THE Portuguese government has invited international bids from shipyards for concession, management or joint venture operation of Setenave, the Setubal-based premier shipyard built principally to produce supertankers and giant bulk carriers in the early 1970's and plunged into chronic losses with the world oil crisis.

The yard employs 4,200 people. In recent years, thanks to a pickup in world shipping, it has been scraping by on repairs but has not built a vessel since 1975 when its owner, Companhia Uniao Fabril (CUF), Portugal's largest industrial holding group, was nationalised.

The Cavaco Silva government, believes that Setenave is basically a well-designed and equipped yard, which is well located on major routes and hopes a leading international shipyard will want to take over the enterprise as concessionaire or under a long-term management contract or as a joint venture – whichever the successful bidder finds most convenient.

Setenave, the authorities believe, has good potential and can become highly competitive if new shipbuilding and management know-how is introduced.

The government is not seeking an outright buyer nor concessionaires interested only in the repair side of the business.

The ideal candidate would run a judicious balance between repair and construction and take on as many of the 4,200 employees as possible, avoiding further unemployment in the chronically-depressed Setubal area.

The authorities have approached leading European and Asian yards – Odense and Burmeister of Denmark, Salzgitter, Thyssen and Nuschmeier of West Germany, Hyundai of South Korea and Kawasaki, Mitsubishi, Mitsui and Hitachi of Japan.

Portugual will shoulder Setenave's debt of about $80m and any other outstanding financial obligations incurred during the time it has been nationalised. The new concession or management company would be a separate entity, starting with a clean financial slate.

Peter Marsh meets the persuasive head of the European Space Agency in his search for more funding

European space supremo gets to grips with politics

"YOU are not going to get a fast return from spending money on space science and technology. To say otherwise is to misrepresent your aims to the public."

So says Professor Reimar Luest, director general of the European Space Agency, who next month will formally present the case to his agency's 13 member governments for a significant increase in spending.

If Prof Luest's advice is accepted, the annual budget of the Paris-based agency will rise from $1.7bn this year to about $3bn by 1993. Much of the extra cash would pay for three big new programmes - a more powerful version of Western Europe's Ariane satellite launcher, the Columbus space laboratory and a small manned space vehicle called Hermes - which together are due to cost about $13bn by the end of the 1990s.

The plans have been labelled as overambitious by Mr Kenneth Clarke, Britain's trade and industry minister. Calling ESA a 'hugely expensive club,' Mr Clarke has served notice that the UK will not raise its contribution to the agency when ministers from the 13 member countries meet in The Hague on November 9 and 10.

Prof Luest, a quietly spoken yet forceful German scientist, who has been at the helm of ESA since 1984, says he still hopes Britain, which currently contributes some 10 per cent of the agency's budget, will relent. The UK is ESA's fourth biggest paymaster, after France, West Germany and Italy - which between them account for just over half total spending.

The agency's budget is spent largely in European industry though it also runs two big research and technology centres in the Netherlands and West Germany. Total agency staff run to 1,600 of whom - curiously, in view of the acid comments about ESA from the UK Government - Britain provides the largest single group.

The European space supremo, a young 64, whose wife is deputy editor of Die Zeit, a leading German newspaper, is convinced of the need for Western Europe to develop its own autonomous space capability, separate from the US and USSR.

This is bound to cost more money, he says. 'Every member is concerned about increases in funds. I know it (the demands for more cash at The Hague) will cause some countries difficulties.'

Nonetheless, the professor believes the long-term gains will be worthwhile and points out that, if his plans are accepted next month, Western Europe's space investment will still greatly lag behind that in the US, where government space spending per person is more than 10 times the level in Europe.

Prof Luest, who before his ESA appointment for 12 years ran the Max Planck Society, a prestigous German scientific group with 55 institutes and an annual budget of $500m, scorns the British idea that private companies, rather than governments, should take up the burden of funding space science and technology.

He says that venturing into the heavens is bound up largely with studies in pure science and in research disciplines like telecommunications and Earth observation. 'These are areas which, in continental Europe, it is usual for society as a whole rather than commercial enterprises to finance. There may be corners or aspects where we obtain private cash but as whole it (funding space technology) is for governments.'

Prof Luest says commercial spin-offs from space are relatively few so far, with the obvious examples being launchers - in which area the existing versions of Ariane, which ESA developed, are now marketed by Arianespace, a commercial consortium - and in telecommunications satellites.

At the same time, however, technologies from space are being applied in other industries like electronics and materials. Noting that in other countries these technologies obtain significant government support, Prof Luest says: 'I don't see why we in Europe should leave these areas to the US and Japan.'

He dismisses the thought that companies might be willing to put cash behind either Columbus, which is due to fit into a US-led international manned space station in the mid 1990s, or Hermes.

Comparisons with the Channel Tunnel, like the space projects a transportation programme but, unlike Columbus and Hermes, one in which private industry is being invited to invest funds, are misleading. The railway scheme will be generating traffic and income immediately says Prof Luest, which is not the case for the space schemes.

'Industry talks normally about time horizons (in research and development) of six or seven years while in space technology the returns may be 30 years off. Take the first satellites; no one had any idea what they would be used for.'

Prof Luest dwells on the importance to the agency of Hermes, strongly backed by France (which aims to pay 45 per cent of the estimated $5bn cost) yet which Britain, backed to some extent by West Germany, wants to postpone.

He says the project for the first time will give Western Europe the chance to put people into space, something which now can be done only by the two space superpowers.

While automatic satellites and robot devices will be able to do many of the jobs required in space after the year 2000, to maintain and repair large space stations for instance, men and women will be vital for the more complex tasks. 'On Earth, even in the mines or in the Antarctic, it is accepted that you cannot do without people,' says Prof Luest.

Prof Luest says he tries to take an objective view of some of the claims made for space science and technology. 'Scientists are human beings; they are convinced that their particular science is important for the rest of the world.'

Coming from a scientific background - the professor worked originally in theoretical physics and mathematics and became interested in space only in 1960 - Europe's space head has picked up a knowledge of industry through serving on the supervisory boards of Hoechst and Kraftwerk Union, two big German companies.

He says he has found the political nature of his job at ESA a great challenge. 'You have to get people to see your point of view and try to accept theirs. When you have a success it's rewarding but at other times it can be frustrating.'

OFFICIALS from 13 countries in the European Space Agency meet in Paris tomorrow in a last-ditch bid to finalise the agenda for the agency's ministerial conference in The Hague in just more than a week's time, writes Peter Marsh.

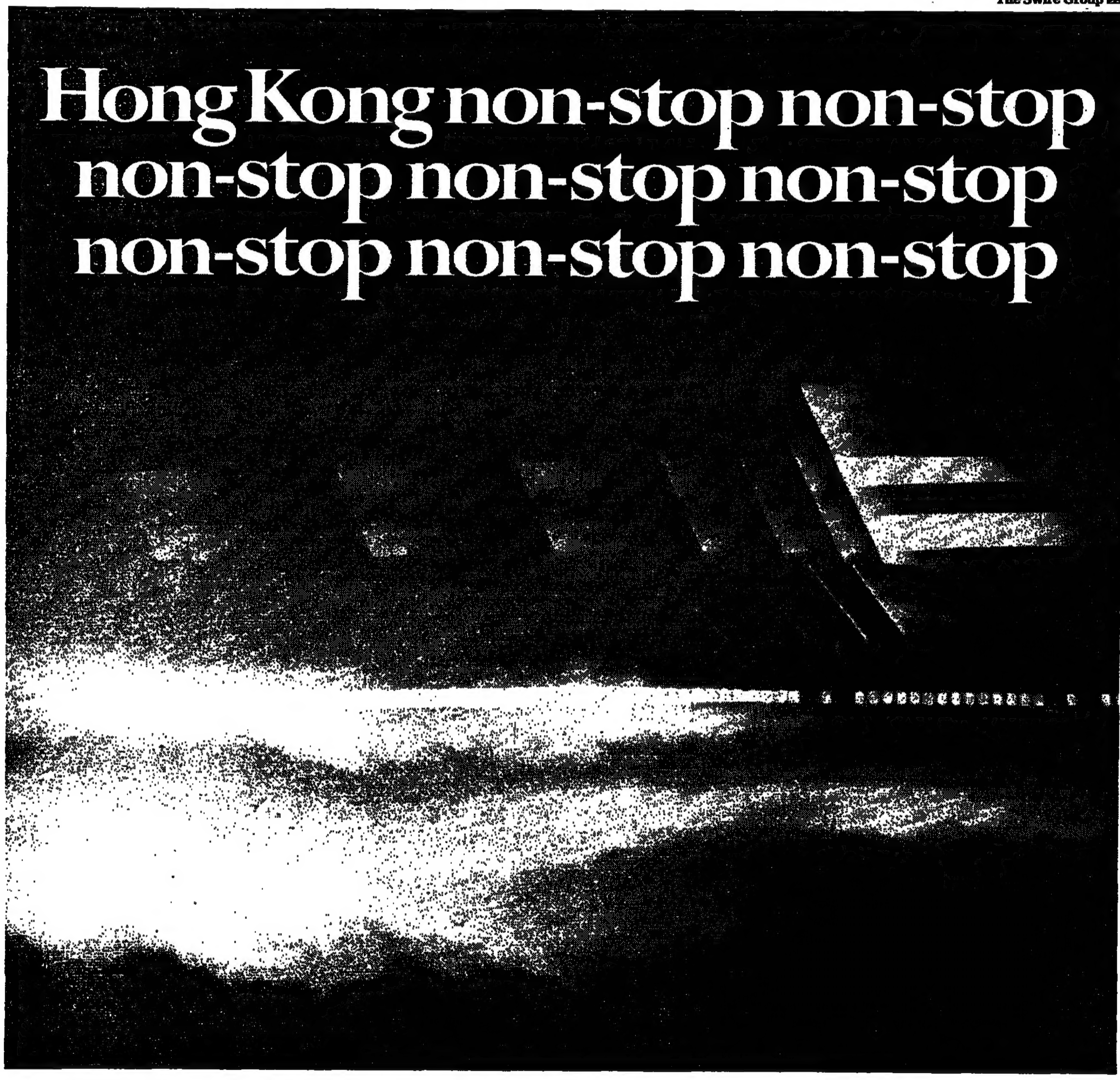
Some member countries have suggested that the programme to be debated in The Hague is overambitious and too expensive, although the only overt criticisms so far have come from Britain.

While France, the agency's biggest paymaster, is firmly committed to a large-scale expansion of European space activities, West Germany, the second biggest contributor to the agency's budget, has still to decide how much money it will commit at The Hague.

West German ministers are meeting next Wednesday to decide on this issue while many other countries are also delaying their decisions until next week. Said one West German official: 'We will be in limbo right until the last moment.'

An expected outcome from tomorrow's meeting will be the shape of the programme for The Hague, in particular the strength with which agency officials want to press for support for the French-inspired Hermes space plane.

One possibility is that a decision on Hermes could be delayed, perhaps until 1990, if enough countries feel the programme is too costly.



Western steel industry outlook still 'uncertain'

BY PAUL BETTS IN PARIS

THE outlook for the Western steel industry continues to remain uncertain despite some recovery in demand in a number of industrialised countries, the Organisation for Economic Co-operation and Development (OECD) says in its latest steel market report.

Steel production in the OECD as a whole also declined by 0.7 per cent during the first nine months of this year compared with the year before period, although there has been an improvement in the US and Canada.

However, the OECD says that the improvement in the US remains fragile. Although US steel consumption has so far been higher than last year, demand in the car sector has been gradually declining and has remained weak in the construction industry.

The OECD thus warns that the recovery in US steel demand risks being short-lived. US crude steel production has increased by 3 per cent during the first nine months, partly as a result of a 1 per cent decline in imports, whose share of the US market has fallen to about 22 per cent.

In Canada, demand has been higher than last year but the OECD says that rising interest rates could dampen future growth prospects. Canadian steel production for its part rose by 5 per cent in the first three-quarters.

The OECD expects steel demand to continue to improve in Japan this year. As a result of the appreciation of the yen, Japan's net exports of steel have also declined significantly. Exports have declined by 13 per cent while imports during the first half of this year were 33 per cent higher than in the same period last year, reaching a penetration of 7 per cent of the Japanese market.

Steel demand in the European Community has shown a modest recovery largely because of a substantially higher level of activity in the car and electrical engineering sectors. However, the OECD expects demand to stabilise in the EC with consumption for the whole of the year being at best at the same level as last year. EC steel output in the first nine months declined by 1 per cent while steel employment is expected to fall this year at annual rate of about 7 per cent.

Iata to seek delay on EC jet noise rules

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE International Air Transport Association is to plead with EC goverments for a two-year postponement of tougher jet noise rules, due to become effective on January 1.

A resolution to seek a postponement was passed by Iata at its annual meeting in Caracas earlier this week.

The rules are part of a series of anti-noise regulations agreed some time ago by member states of the International Civil Aviation Organisation and subsequently adopted and progressively implemented by EC members, including the UK.

The effect so far has been to reduce substantially the amount of flying into and out of EC countries' airports by the older and noisier jet airliners, especially Boeing 707s and Douglas DC-8s, unless they have been "hush-kitted."

All such aircraft on the UK register have been banned, unless fitted with noise suppression equipment.

The latest stage in implementing the rules would effectively prevent all remaining non-hush-kitted 707s and DC-8s owned by non-EC airlines from rom flying into member countries.

But many smaller airlines in the developing world, especially in Africa, have complained that they cannot afford to buy modern, quieter jets and that they have also found it difficult to pay for the hush-kitting required by the extension of the noise rules.

Some of these airlines have brought pressure on Iata to seek the two-year delay.

It will now be the task of Mr Gunter Eser, the Iata director general, and his team to discuss the proposed deferment with EC governments to see if it can be achieved.

Austrian Socialists reject call for Waldheim to quit

BY JUDY DEMPSEY IN VIENNA

AUSTRIA'S Socialist Party yesterday rejected a resolution calling for the resignation of Dr Kurt Waldheim, the Austrian president, who is accused of being involved in Nazi war crimes during the Second World War.

The resolution, which was debated on the last day of the party's congress, was defeated by 198 votes to 101.

The congress was dominated by the keynote speech of Dr Franz Vranitzky, the Austrian chancellor, who effectively closed a century-old chapter of Austrian socialism.

Its traditions were deeply influenced by Tomas Bauer and other late 19th century Austrain Marxists, but Dr Vranitzky told delegates the party had to look towards the future.

It would remain a party of freedom, tolerance and democracy, but it could not turn its back on the economic and social changes taking place in Austria and throughout Europe.

The chancellor's speech set the agenda for a new kind of socialism which would focus sharply on an ideology which put pragmatism, efficiency and modernisation above a paternalist state and a heavily subsidised public sector.

He told the congress that change would involve cutting the budget deficit, trimming the welfare state and radically restructuring the loss-making state-run industries.

The changing profile of the party and Dr Vranitzky's speech, which echoed sentiments expressed by other European socialist parties, were criticised by some grassroots members. But criticism was muted. As one delegate put it: "The party is becoming a party of technocrats who place ideology way down on their agenda."

E Berlin rejects reform

BY LESLIE COLITT IN BERLIN

EAST GERMANY has no intention of emulating the political and economic reforms being undertaken in the Soviet Union, Poland and other East European countries, according to a leading Connunist Party official.

Mr Kurt Hager, the chief ideologist of the East German party, wished the reforms 'complete success,' but said the party would continue to serve the 'common cause of socialism' by carrying out its existing policies.

Mr Hager said East Germany was on the 'sensitive dividing line' between the two main social systems and military alliances, implying that this was an important reason it could not introduce reforms.

East German officials had warned that political reforms could easily run out of control because of the country's closeness to the West.

Simultaneously, the main East German youth movement newspaper attacked an anti-Stalinist Soviet film as the 'concave mirror of a fundamentally perverse world.'

The film was made with the support of Mr Eduard Shevardnadze, Soviet Foreign Minister, when still party chief of Georgia.

It was released to great critical acclaim in the Soviet Union earlier this year and recently shown on West Germany television, which is watched widely in East Germany.

Mr Hagar also accused conservative West German politicians of interfering in East Germany's internal affairs.

Polish workers warned on sacking

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH officials have reacted to protests by several workers' self-management councils against the sacking of two activists from the Polar factory in Wroclaw by warning them not to permit the movement to be infiltrated by Solidarity, the banned trade union.

The warning came at a meeting of activsits in Warsaw from Mr Stanislaw Kania, a former leader of the Polish Communist Party until 1981 and now chairman of the parliamentary self-management committee.

Also at the meeting was Mr Zdzislaw Sadowski, a deputy premier, who defended a controversial move to integrate the electronics industry.

Workers councils are freely elected under a law passed in 1981, which also gives council members job security guaranteed by the courts while in office. This is to protect them against harrassment by the authorities.

OVERSEAS NEWS

Deng likely to be allowed to retire

By Robert Thomson in Peking

A SENIOR Chinese official indicated yesterday that Deng Xiaoping, the paramount Chinese leader, has finally convinced his colleagues that he should retire from his senior Communist Party posts.

While Deng, 83, is likely to remain paramount leader, despite relinquishing his Politburo post, the apparent acceptance of his retirement is a victory for his campaign to institutionalise a pension plan for the Communist Party.

Gù Mu, a State Councillor, told journalists last night that, after initially disgreeing with Deng's plan to retire, he had been "persuaded" by the leader's arguments. Given that most party decisions are unanimous, it would be unusual for Gu to be standing apart from other delegates to the 13th Party Congress, which will formally announce personnel changes in coming days.

The military has demanded that Deng stay on as chairman of the Central Military Commission, according to Gen Yu Qiuli, also a Politburo member, who made clear in a recent conversation that only Deng has stature enought to lead the People's Liberation Army.

However, if some of the many rumours circulating among Chinese are to be believed, the elderly will continue to play a prominent role in the leadership. Yang Shangkun, 80, a senior member of the Military Commission, is said to be in line for the presidency, a largely ceremonial post.

More interestingly, well-placed Chinese maintain that Chen Yun, 82, a conservative economist, has agreed to retire from the Politburo Standing Committee, but will be appointed chairman of the Central Advisory Commission, which counsels the Politburo on policy. An obviously ailing Chen had to be helped to his seat for the opening address of the Congress on Sunday, and left an hour early.

Heavy spending on the army is largely responsible for a severe economic crisis, **Nora Boustany** reports

Syrians adapt to life without the bare necessities

IN THE DARK but lively Hamadiyeh souk in central Damascus, crowds of shoppers mingle with pedlars hoping to sell anything from stuffed falcons to leather slippers. At the Syrian capital's opulent Sheraton hotel, life continues with its customary extravagance and glitter.

Amid such scenes, it sometimes seems hard to remember that Syria is still in the throes of a severe economic crisis. Look closer, though, and the symptoms are plain.

Staple goods such as sugar, butter, cheese and vegetables are sometimes impossible to find. Long queues form in front of butchers and bakers' shops. Basic drugs such as aspirin and cough syrup are not available. Cotton, in a country which used to rank among the world's leading producers and exporters, is in short supply if it is found at all. Tissue and toilet paper are embarrassingly scarce.

Daily power cuts, a state industry performing at 50 per cent of capacity and a virtual standstill in private investment are the outward signs of the economic deterioration. A wave of industrialisation in the 1970s has stumbled because of constraints on the availability of raw materials, public sector inefficiency and a shortage of foreign exchange. The state-owned Sweida shoe factory, for example, which used to produce 3,000 pairs of shoes a day, now only puts out 800 because the Government is short of funds to import such basic items as glue and is operating at a loss because prices are fixed.

The simplest explanation for the malaise is the burden imposed by Syria's heavy spending on the 400,000-strong armed forces and on the security services. Some 60 per cent of the budget is devoted to these purposes, which does not leave much for anybody else.

Syrian officials themselves blame Lebanese middlemen for many shortages, noting that in Lebanon - which has, after all, been at war with itself for 12 years - one can still find everything one wants.

Ordinary Syrians also seem to have a knack of making do with what they can find. "It is in our nature to complain, but Syrians can adapt to anything," said a freelance writer who studied abroad for seven years.

Nor do people think economic gloom will lead to political instability in the foreseeable future: Syria may be in an economic crisis, but it is far from collapse. One Syrian businessman joked: "If people have constantly to think of food and drink and worry about gasoline and medicines, by the time they get all these things the day will be over."

But some Syrians are thinking ahead. The country's minimum wage is a pitiful 800 Syrian pounds a month. Middle-ranking government officials earn around 2,000 Syrian pounds - said to be barely enough for 10 days' grocery purchases for their families. As a result, many educated people are looking for ways of leaving the country, according to Damascus-based diplomats. Half the estimated 120,000 Syrian students who travel abroad to study every year never return.

The dilemma for businessmen and merchants is far greater. They are caught between conflicting currents of those who want to liberalise the economy and give more freedom to the private sector, and stricter Ba'ath party ideologues who focus on the need to stamp out corruption and to improve production through traditional centralist reforms. Contradictory signals come from Mr Mohammed al-Imadi, the US-educated Economy Minister on the one hand, and Mr Abdel Rauf al-Kasm, the hard-line Prime Minister on the other.

Large numbers of well-to-do Syrians are in jail on charges of illegally dealing in foreign currency and bribing government officials. People caught carrying US dollars out of the country are given jail terms of up to 25 years.

Importers are strapped, unless they have vast foreign currency deposits abroad or in Syria itself. Money transfers for small businessmen are either impossible or dangerous. No one apart from the state is allowed to import iron, steel, wood or pharmaceuticals.

"No one accepts a letter of credit from the Bank of Syria unless it is confirmed. To get authorisation, you need to be importing an item on a list of high priorities. In other words to get a letter of credit you need a lot of pull," a businessman said.

There are, however, some tentative signs of liberalisation and of moves to allow the private sector a more prominent role. Some big Syrian businessmen, for example, have recently entered into joint ventures with the state in tourism and agriculture, which allows them some exemptions from foreign currency and import restrictions and an easier interpretation of labour laws.

"Economic systems in Syria cannot cope with the needs of our country or with international development. Some kind of updating was required and President Assad responded to an initiative by us that may be expanded to other sectors," explained one such businessman, Mr Saeb Nahhas.

Joint ventures for the construction of tourist complexes outside Damascus are planned and a number of agricultural projects are under way, with the state providing free land and machinery and other inputs benefiting from relaxed import regulations.

Many merchants want the Government to take this trend a lot further. "This is a very good beginning, but has to be expanded. Personally I feel the same should apply to any person or individual, not just large companies," said Mr Ahmed Hadaya, agent for the importation of General Electric household and office supplies. Indeed, there seem to be few alternatives to liberalisation if Syria is to attract the substantial capital which its citizens keep abroad.

But it is an open question as to how far liberalisation can go. What the private sector wants is contrary to the basic tenets of Syria's ruling creed, Ba'athist socialism.

"There is a whole set of hidden agendas working," said one Western diplomat. In addition to these two trends (liberalism and Ba'athism) there are those who have a vested interest in keeping the system as it is.

GUNMEN SHOT at three French security men shopping in the Christian Dora district in north Beirut, killing an officer, a sergeant major and seriously wounding a French gendarme yesterday morning, the French Embassy said, Nora Boustany writes.

The three had parked their jeep some 70 metres from an antique shop specialising in copper and brass and were walking towards its when two gunmen approached, one wearing jeans and a leather jacket.

The three were shot in the head before the gunmen got into their red Datsun car and disappeared into the thick of Dora's mid-morning traffic, an eye-witness said.

This was the second attack on French military targets in Christian-controlled areas since Mr Christian Gouttiere, military attache, was assassinated outside the East Beirut embassy annexe in the Mar Takla district on September 18 last year.

Philippine Communist squad 'shot US airmen'

By Richard Gourlay in Manila

A COMMUNIST hit squad yesterday claimed responsibility for killing three American servicemen on Wednesday near the US military's Clark Air base facility in what a Communist party official said is part of a planned change in guerrilla tactics in the Philippines.

A caller claiming to represent the urban assassination group, the Alex Boncayao Brigade, told Agence France Presse that seven more servicemen would be killed in protest at continued US supply of equipment to the Philippine military in support of its anti-insurgency campaign. The group has claime responsibility for killing more than 50 police and military officers in Manila this year.

Although the caller's claim could not be verified the party official said it was almost certain that the killing was the work of the communist-led New People's Army urban warfare wing.

"It was a political statement against the intervention of the US in the Philippines and the presense of the bases," the official said, referring both to the Clark and the American naval base at Subic Bay.

Mahathir orders arrest of more opposition figures

BY WONG SULONG IN KUALA LUMPUR

THE Malaysian Government yesterday made further arrests under the Internal Security Act in a widening crackdown against opposition and radical groups.

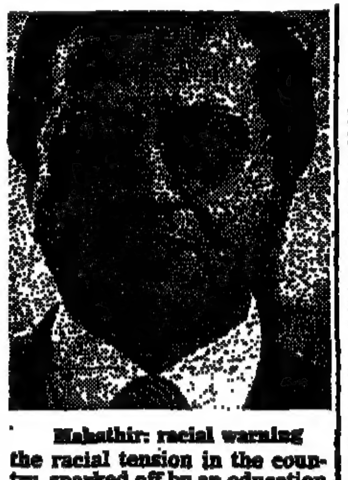
A police statement said another 16 people had been held, bringing the number to almost 80 since the operation was launched on Tuesday.

The crackdown is the biggest since the arrests of communists and left-wing elements during Indonesian Confrontation in the early 1960s, and involves politicians from both the opposition and government parties and leaders of various pressure groups. Among those detained is Mr Lim Kit Siang, parliamentary opposition leader and head of the Democratic Action Party.

Dr Mahathir Mohamad, the Prime Minister, has accused the opposition DAP and the Party Islam, which are on the two ends of the country's political spectrum, of respectively inciting the Chinese and the Malays to the point where there was a danger of racial clashes.

Three prominent newspapers did not hit the streets yesterday.

Political observers say the detentions have greatly defused the racial tension in the country, sparked off by an education controversy between the Malays and Chinese.



Mahathir: racial warning

Basra shelled as war flares up

BY OUR FOREIGN STAFF

BASRA CAME under heavy Iranian shelling overnight and yesterday morning in what was clearly a retaliation for the resumption of Iraqi air raids on Wednesday after a week of inactivity in the Gulf conflict.

The bombardment followed an Iranian warning of a "deadly response" to what Tehran said were attacks on military targets.

A military spokesman in Baghdad said that the shelling had killed "six martyrs, including a woman and a child". Another 23 people were reported to have been wounded. Iran also claimed that its aircraft had attacked military and economic centres in southern Iraq inflicting heavy damage.

The flare-up in the war came only a few days before the expiry of the deadline given by Mr Javier Peres de Cuellar, UN Secretary-General, for acceptance by Iran of Security Council Resolution 598 of July 20 which called for a ceasefire.

Yesterday Mr Yuli Vorontsov, Soviet First Deputy Foreign Minister, met President Saddam Hussein of Iraq in Baghdad and discussed ways of implementing the resolution. Baghdad has been critical of the Soviet stand on the question in the Security Council.

Iran claimed on Wednesday to have mounted "destructive raids" on a number of oil refineries and chemical plants in and near Shiraz in the south of Iran. Tehran said that 18 people had been killed

President Ali Khameini yesterday repeated Iran's threat to close the Strait of Hormuz. His remarks, reported by Tehran Radio, were evidently prompted by President Reagan's announcement on Monday of a trade embargo against Iran.

Saudi Arabia, meanwhile, imposed a news black-out on a fire on its off-shore Safaniya oil field which is 60 miles south of Kuwait. It was extinguished on Wednesday.

Sabotage, however, was ruled out by the Arabian American Oil Company, the operator of the field.

UDF suspends UK contacts

SOUTH AFRICA'S largest anti-apartheid coalition, the United Democratic Front, yesterday said it had suspended contacts with the British Government, Our Foreign Staff reports.

The UDF announced the move in an open letter to Mrs Margaret Thatcher, the British Prime Minister and cited Britain's opposition to sanctions against South Africa, Mrs Thatcher's recent description of the African National Congress as a "terrorist organisation", and last week's court decision to drop charges against three men accused of conspiring to kidnap ANC members in London.

AMERICAN NEWS

Ministers edge forward with Arias peace plan

BY PETER FORD IN SAN JOSE

CENTRAL AMERICA'S five foreign ministers edged their peace plan a few steps forward this week and allowed themselves more time to bring it fully into effect.

At a two day meeting in San Jose that ended on Wednesday night, the ministers made November 5 a deadline for certain steps which, under the Arias peace plan for Central America, their governments have pledged to take and a starting date for others that are likely to cause problems.

They also agreed that next Thursday their presidents would individually issue calls on all outside powers to stop aiding guerrillas in the region. That would require Washington to cut its funding to the Nicaraguan Contras.

The distinction between carrying out acts by the deadline and starting processes on that date staves off critics of the plan on two fronts, diplomats said.

A Costa Rican official explained: 'We had to set some sort of deadline or the plan would have lost all its credibility.'

At the same time, however, the foreign ministers were anxious not to give the impression that because the pact had not been fully implemented, it was dead.

By next Thursday Nicaragua must have lifted its state of emergency, which suspends a wide range of civil liberties, and have published an amnesty law covering both contra rebels and political prisoners.

Nicaraguan Foreign Minister Mr Miguel D'Escoto announced this week that such a law would be issued within the next few days.

Problems remain, however, over Managua's refusal to negotiate a ceasefire with Contra leaders. Mr D'Escoto called such talks 'a trap' which the US administration would manipulate.

Stewart Fleming reports on a television debate by Republican presidential candidates

Local hero Bush fights off the competition

WHEN FORMER Nato commander General Alexander Haig and Governor 'Pete' Dupont arrived in Houston on Wednesday to take part in the first nationally televised debate among the six Republican presidential contenders, what they and some of the other candidates had in mind was a mugging - and the target was the local hero, Vice-President George Bush.

"I wouldn't stand too close, you'll get powder burns," was the warning Gen Haig issued in the press room before the debate began. But if Gen Haig and Mr Dupont thought they had picked an easy target in Mr Bush, a man who has been charged with being too much of a "wimp" to make a good president, their expectations were rudely shattered, for Mr Bush knew what to expect.

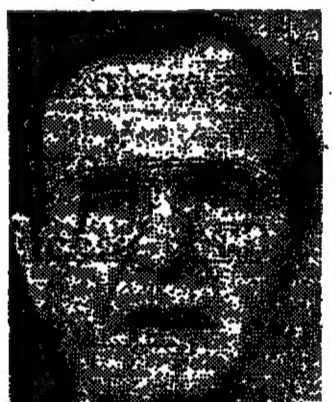
It was Mr Dupont, the urbane former governor of Delaware, not Gen Haig who tried to insert the knife first. "The question is in a Bush presidency, where would he lead America? So far we haven't seen any vision, any principle, any policy. We really haven't had it spelled out very successfully."

Mr Bush quickly hit back, seizing on Mr Dupont's somewhat ethereal visions for reforming the US social security system because it will go broke in the next century. "It may be a new idea but it's a dumb one," Mr Bush responded.

The vice-president then settled back into the role of war hero and experienced statesman which he hopes to ride into the White House. "You need somebody in the hot seat with a cool hand on the stick. I've been co-pilot for seven years and I know how to land the plane in a storm," he said.

While Mr Bush was making the most of an opportunity to put a dent in his "wimp" image and his chief challenger, the acerbic Senator Robert Dole, was polishing up his new persona as the genial and sensitive guy next door, the broader question raised by the first Republican debate was: how do the candidates measure up against the Democrats?

In terms of entertainment value there was no contest. The Democrat's "seven dwarfs" (now, short of Senator Joseph Biden, down to six) have been sending audiences to sleep with dull performances enlivened only by Senator Albert Gore's efforts to break out of the pack by adopting what pass in Democratic ranks for "hawkish" views on foreign policy.



Bush: no easy target

At this stage, however, given the Democratic history of internecine warfare, low entertainment value may be good politics. For judging from Wednesday's debate it could well be the Republican Party which turns out to be more deeply split ideologically in 1988.

Behind the personal confrontations witnessed by the 10m-plus viewers lay the battle over how to define the Reagan legacy to which all laid claim. (Four of them said they would hang Mr Reagan's picture on the Oval Office wall if they won the Presidency. Senator Dole, with his eyes on the larger but more distant target, said he wold put up the picture of *a Democrat* - President Harry Truman.)

The strongest ideological pitch came predictably from Congressman Jack Kemp from New York, the former professional American footballer, advocate of supply-side economics and self-styled champion of the right. He drew the distinction between "establishment" Republicans - by implication Messrs Bush, Dole and Gen Haig - and the rest.

On economic issues Mr Kemp would have no truck with the idea that a tax increase was needed to salve Wall Street's anxieties. "Every stock market in the world crashing is not the result of the (US) budget deficit," he said, challenging Mr Bush's guarded and Senator Dole's more outspokesn support for a budget compromise.

Mr Dole, while avoiding being too specific, embellished his approach by calling for "dollar-for-dollar" economic stimulation by West Germany and Japan to match US budget cutting and a world economic summit to work out the details.

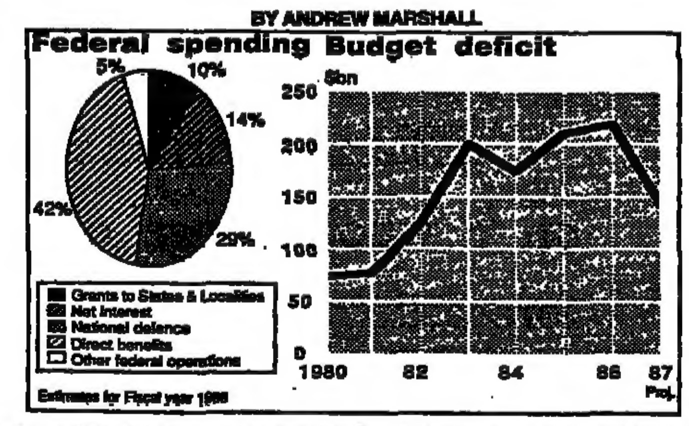
Just as Mr Kemp challenged the "establishment" to stay true to Reaganomics and ignored Senator Dole's jibe that "we are not going to grow out of it, as Jack used to say," so, too, he continued to call for early deployment of the Strategic Defence Initiative and to attack the Administration's arms control overtures.

"I would not sign any new agreement until (the Soviet Union) is prepared to keep previous agreements," he said.

These ideological clashes will not go away and with another five Republican debates scheduled, they will be aired fully before a public which, as Wall Street crashes and the economy looks vulnerable, is already developing a scepticism about Republican reliability.

Deficit talks are only first hurdle on way to real cuts

BY ANDREW MARSHALL



THE US Treasury released figures this week showing that the US budget deficit fell to $148bn from $221bn in the financial year which ended this month, a reduction of nearly a third.

However, the lack of celebration in financial markets was painfully obvious. They realise that last year's figures are largely illusory.

They are also unlikely to be convinced by anything produced by the negotiating team struggling towards deficit reductions.

The markets have grown used to proclamations of Washington's born-again fiscal responsibility. Even if the political will does exist to tackle the problem - a matter of some doubt - the arithmetic makes the problem confused and intractable.

This year, for instance, Washington is running just to stay in the same place. Even if the negotiators, drawn from the White House and Congress, manage to come up with the $23bn in deficit reductions they are looking for, next year's figure is likely to be higher by some $10bn to $15bn, though lower than the figure of $221bn for 1986. Last year's low figure included extra receipts estimated at $30bn accruing from tax reform: this year, tax reform swings the other way, cutting revenues.

Even getting this far has been painful and complicated. Recognising that the fiscal flesh was weak, Congress turned in 1985 to a process that took the matter out of their hands. The so-called Gramm-Rudman fix set budget targets from 1985 leading to a balanced budget by 1991.

If Congress did not hit the targets, automatic spending cuts would do the job anyway; and in such a painful way - cuts in all programmes - that, it was thought, there would be overwhelming pressure to hit the targets.

One Washington aide said at the time: "Before Gramm Rudman, the budget produced irresponsible outcomes through a responsible process. Now it will produce responsible outcomes from an irresponsible process."

It did not work out that way. The Supreme Court invalidated the automatic cutting process, and the targets came to be hopelessly unrealistic within a year of the bill's passage. Congress has reworked Gramm Rudman, postponing a balanced budget to 1993, and that is the starting point for this year's negotiations.

The new Gramm-Rudman sets a target of $23bn of cuts for fiscal year 1988. If these are achieved, the projected deficit figure for 1988 is somewhere around $160bn - some $10bn over this year's figure. So even if the negotiations are successful, the trend towards lower deficits is far from clear.

Only a small percentage of total government spending of $1,002bn is available for cutting in the first place. Interest payments on existing debt, which accounts for some $140bn and rising, cannot be touched. Nor can entitlements, direct payments to individuals such as social security, which account for 40 per cent of spending. That leaves just $340bn (34 per cent), of which by far the largest part is defence.

Cutting the $148bn deficit using just spending cuts is, most budget analysts agree, too austere to consider. Congress has not pushed the question. Instead, they have shown a disturbing tendency to produce unreal savings or revenue increases to fudge the issue.

One of this year's *gems* is to force pizza companies to state whether their products contain real cheese. This would raise cheese sales, and reduce the need for agricultural price supports, Congress argues.

One central weakness which has allowed the Gramm-Rudman system to be subverted is its reliance on projections matched to targets. Both Congress and the White House have exploited this to the full in the past to give the impression of progress.

These projections are also undermined by the failure of the real economy to match up to reality. If growth, unemployment, and interest rates do not live up to expectations, the deficit outturns can be significantly different. This, with Congress's accounting ingenuity, reduces Gramm-Rudman's apparently scientific method to a lottery.

Moreover, many people in Washington are starting to question the wisdom of cutting the budget deficit at a time of weak economic growth. Gramm-Rudman includes a get-out clause for this.

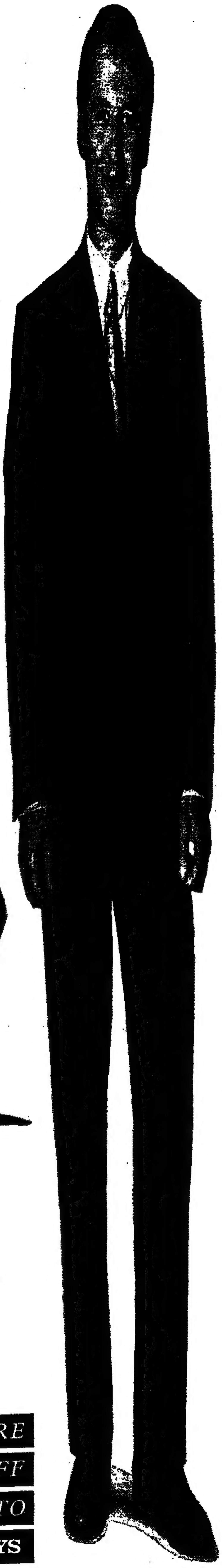
So if the crisis in the financial markets has at last pushed White House and Congress together, *this is* only the first hurdle. The next one is getting real cuts, and maintaining them for the next five years until the budget is brought down to manageable proportions.

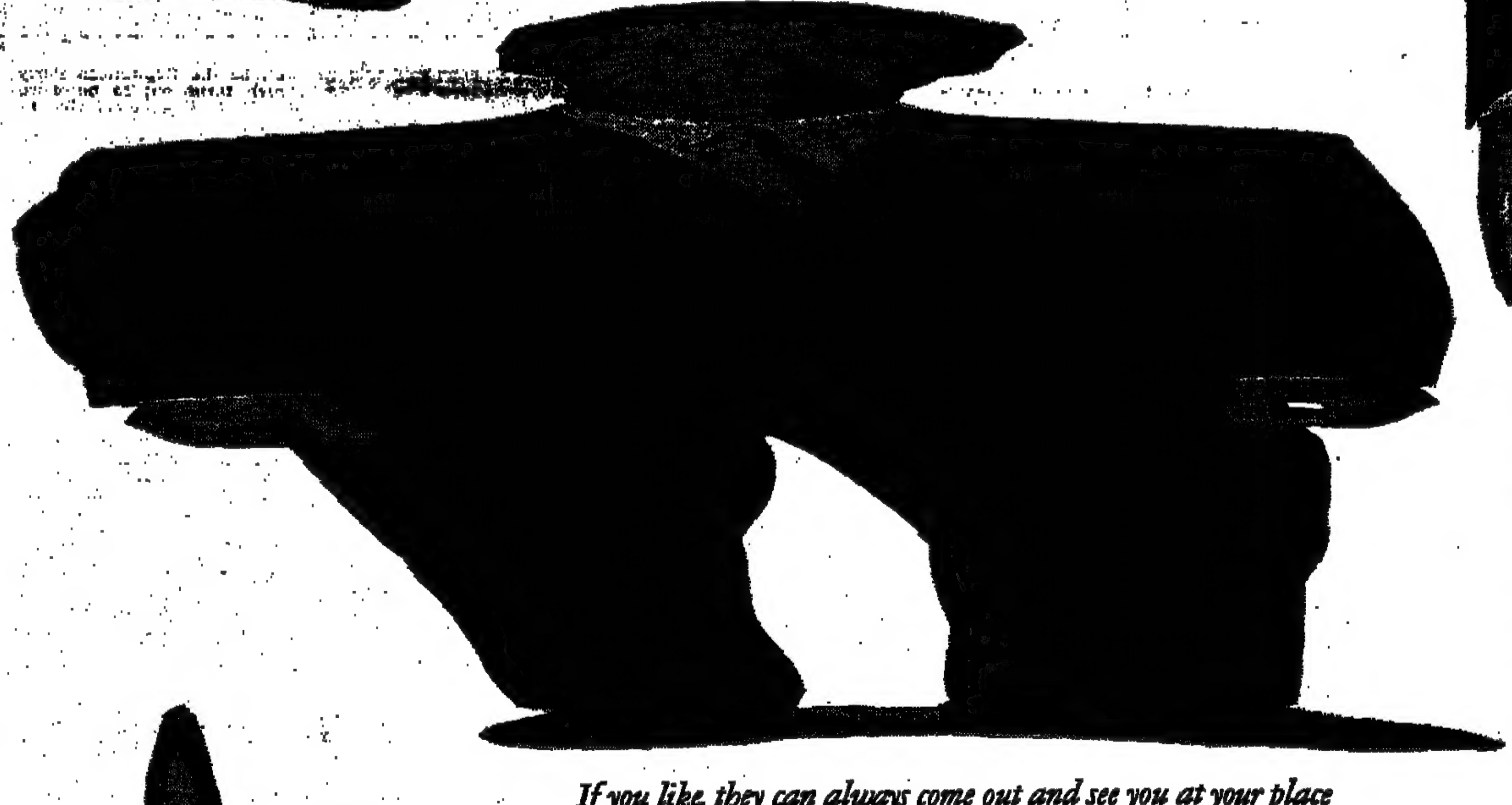
Under the new Gramm-Rudman, this task has been postponed. Next year, an election year, only $5bn-$10bn in cuts are demanded. The effects of this could be erased by even a small change in economic circumstances.

Deficit reduction on a grand scale has to wait until fiscal year 1990, for the new president, who has to bring the deficit down to $100bn from an estimated $136bn.

"They want a magic solution," said Mr Stanley Collender, director of federal budget policy for Touche Ross. The White House's preferred formula is constitutional amendments giving the president a line item veto of expenditure and guaranteeing a balanced budget.

Magic would be nice. However, the markets seem to have at last realised that no-one has anything up his sleeve.





Middle-aged Gatt faces a future of uncertain promise

William Dullforce reports as the General Agreement on Tariffs and Trade celebrates its 40th birthday amid hope that it can play a stronger role in the world's trading relations

"LIFE begins at 40," runs the song immortalised many years ago by Sophie Tucker. Unlikely as it may seem, it is a refrain that could haunt the mind of many an official at the General Agreement on Tariffs and Trade in Geneva today as the institution celebrates its 40th anniversary.

For Ms Tucker's message of hope and determination in the face of an uncertain future is one of peculiar relevance to Gatt in 1987. The launch of the Uruguay round of multilateral trade liberalisation talks a year ago has brought it to a watershed that goes beyond the mere onset of middle age.

The hope is that it will emerge reborn and rejuvenated; the fear that, without stronger leadership from the world's main trading powers, it may fizzle out into irrelevance. With it would wither the free trade philosophy that has guided Western economic policy-making since the end of World War II.

That Gatt should have reached the ripe old age of 40 at all is remarkable in itself. It was never conceived as a permanent institution, but rather as a temporary compromise to compensate for US failure to ratify a much more powerful International Trade Organisation intended to act as a tough policeman of the trading system.

Moreover, by some yardsticks it has been an eminently successful organisation. Thanks to a formula under which industrial countries have been prepared to "bind" or fix their tariff levels at progressively lower rates, average tariffs on world manufactured trade have sunk dramatically. By some estimates they stood as high as 40 per cent in 1947. Today they are not much more than 5 per cent.

But Gatt's future is threatened by strains on the world trading system which have emerged on several fronts: volatile exchange rates, the persistent trade imbalance between the US and Japan, the squeeze on developing countries as a result of the debt crisis and the urgent need to adapt the world economy to an era of technological revolution.

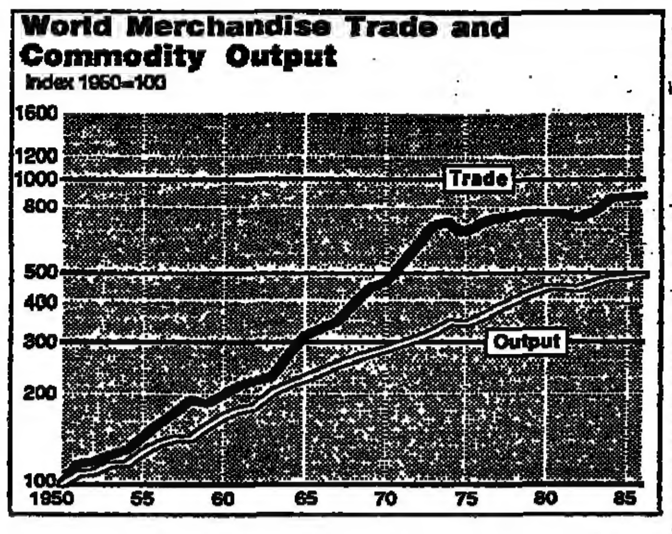
The new Uruguay round launched a year ago in Punta del Este is symbolic of its ability to survive in this changing world. The round is the most ambitious ever seen. Agriculture and textiles, two areas which so far have been more or less immune from traditional Gatt prescriptions, have been put on the negotiating table. For the first time the talks extended into new areas like trade in services and investment flows. For the first time also, developing countries are supposed to have an important say in the eventual outcome.

Ms Sylvia Ostry, Canada's chief Gatt negotiator and a former chief economist at the Organisation for Economic Co-operation and Development, believes that growing world interdependence and technological change has enhanced opportunities for international economic co-operation and advance. But she told an audience of bankers and officials in a Washington lecture last month the pace of technological change and the need for major countries to adapt to payments imbalances has simultaneously increased vulnerability to economic shock.

In quite large measure the new Uruguay round will demonstrate whether the world as a whole is prepared to grasp these new opportunities or retreat from the challenge into economic isolation and protectionism. Its success depends only partially, however, on how far agreement can be reached to free trade in agriculture and textiles and to sweep away barriers to investment flows and trade in services.

Most important of all is the degree to which the Gatt system can be strengthened. Its philosophy is based on the belief in increased world prosperity through liberalisation of trade on a multilateral front reinforced by a willingness on the part of its members to subject themselves to a rigorous and disciplined dispute settlement process. In practice this philosophy has been eroded in recent years, raising new doubts about the organisation.

As tariffs have come down, non-tariff barriers - for example the use of standards and certification procedures as a barrier to imports - have proliferated.



The impact of such non-tariff barriers is hard to quantify and as a result trade policy has lost transparency. Major trading powers have become inclined to bypass Gatt with bilateral voluntary trade restraint agreements, or otherwise twist its rules to their own advantage. Gatt has proved weak in its ability to enforce rulings intended to settle international trade disputes.

Mr Bill Archey of the US Chamber of Commerce in Washington says it takes an average of 4.6 years for US companies to obtain a Gatt ruling on unfair trade practices, and even then there is no assurance that the practice will be discontinued. Disillusion with Gatt is one of the main reasons why the US Congress is now determined to strengthen national trade laws, he says.

"In the last several years (Gatt) has become largely a debating society where nothing happens," adds Mr James Robinson, chairman of American Express and president of the US Round Table task force on international trade.

The Uruguay round cannot succeed unless it can restore some measure of credibility to Gatt. And unless that happens its future may be in jeopardy.

Over the years Gatt has grown used to a life of quiet anonymity compared with its sister organisations, the International Monetary Fund and World Bank. Unlike them it is not a forum for grand economic debate; it has no money to dispense to its members; it has no sanctions to back up its rulings. Its secretariat, housed in one wing of a sombre grey *palazzo* overlooking the shores of Lake Geneva, numbers only 350 people and its annual budget is just SwFr60m.

The General Agreement is a contract setting out rules for the conduct of international trade. It has already been revised in seven successive rounds of multilateral trade liberalisation talks. Because the contract is a negotiated document written by a process of political compromise, it has inevitably proven flawed and full of loopholes.

The crucial question facing Gatt today is whether the world can muster sufficient political will to eliminate the flaws, close the loopholes and come up with a new agreement that will command genuine international respect. Citing "the extraordinary new perception of the fundamental role of international trade in the world economy," Mr Arthur Dunkel, Gatt's ever-optimistic director-general, believes it can. In practice a long uphill struggle lies ahead.

No one expects the Uruguay round to come up with hard and fast answers for every single case, but it has at least to make a start on tackling some of the new issues on trade if Gatt is to secure its relevance to the world of the 1990s.

That will require leadership on the part of the world's main trading powers - which is just what many fear is lacking.

"The leadership of the US, which used to be a decisive element leading to successful conclusions of previous rounds, seems to have weakened noticeably," complains Mr Tomohiko Kobayashi, Japan's chief trade negotiator. Others say that Japan in particular, and the EC are too defensive in their dealings with Gatt and unwilling to take up the baton.

The price of failure could be high. Mr Richard Blackhurst, Gatt's chief economist, warns that without a successful Uruguay round the world trading system could quickly split into regional trading blocs. Stability and predictability would be lost. Trade would become even more political and world economic growth would slow.

At best Gatt would go into a state of suspended animation until nations again decided that multilateral rules offered a better deal.

On the surface, interest in Gatt is very much alive. The Soviet Union would like to join, China is negotiating entry and other new members like Mexico have also been signed up. At their Venice summit this year, the leaders of the industrial world again stressed the importance they attach to the new round.

Ironically most are still prepared to hedge their bets. It cannot be a coincidence that, even with the Uruguay round under way, the EC is bent on strengthening its own internal market while the European Free Trade Association tags along close behind. On the other side of the Atlantic the proposed free trade agreement between the US and Canada simultaneously heralds a stronger regional trading bloc.

On its 40th birthday Gatt is thus poised between the promise held out by a successful Uruguay round and the menace of fragmentation of the trading system if it fails.

South Korea's US imports rise as its markets are opened up

BY MAGGIE FORD IN SEOUL

EFFORTS by the South Korean Government to increase imports from the US by opening its markets appear to have been successful, according to the Ministry of Trade and Industry.

Imports of $2.3bn in the third quarter, a 42 per cent rise over the same period last year, followed rises of 20 per cent and 37 per cent in the first two quarters.

Seoul has been under strong pressure from Washington to open its markets and appreciate its currency, the won, so as to reduce its trade deficit from last year's $7.2bn. The won has appreciated sharply in the past few days to reach a rate of 7.4 per cent over the whole year.

The Ministry report said the increase in US imports would not reduce South Korea's trade surplus with the US this year because of the expansion in exports. In the first nine months of the year the surplus reached $6.7bn, a rise of 28 per cent, with the busy Christmas period still to come.

US officials appear reasonably satisfied with Seoul's efforts to respond to their complaints, although irritations about tariff and non-tariff barriers remain.

South Korean officials have recently announced a plan to open the advertising market to foreign firms, following the recent liberalisation of the life insurance market.

South Korean officials have also expressed alarm about a tentative US plan to remove the four Asian newly industrialising countries - South Korea, Singapore, Hong Kong and Taiwan - from their privileges under the Generalised System of Preferences (GSP).

South Korean exports worth $2.2bn are covered by the GSP, out of total exports to the US in 1986 of $8bn, according to official figures.

The plan to graduate the countries, on the grounds that their economies have advanced beyond the need for protection, has caused anger in Seoul. GSP preferences are supposed to be extended until countries have a per capita gross national product of around $8,000, and South Korea's, although expanding rapidly, has not yet reached $3,000.

US reduces debt to Gatt

By William Dullforce

THE US yesterday saved Gatt from having to seek a bank overdraft on its 40th anniversary today by paying part of its arrears.

Mr Michael Samuels, the Deputy US trade negotiator, told a special Gatt council that by the close of business today Washington would have transferred the equivalent of SFr2.24m ($1.5m) into the Gatt account.

The US owed Gatt a total of Sfr12.5m, of which just under SFr3m dated back to 1986. Usually Washington pays up after October 1, when the new Federal budget is available.

Congress, still arguing over the budget deficit with the Reagan administration, has not yet authorised the 1987/88 appropriations. Altogether member countries owe Gatt Sfr32.8m.

France moves to resolve gas deadlock with Algeria

BY PAUL BETTS IN PARIS

MR ALAIN Madelin, the French Industry Minister, will visit Algeria next month to try to resolve the increasingly bitter deadlock between Paris and Algiers over French gas imports from Algeria.

Gaz de France (GdF), the French gas utility, and Sonatrach, the Algerian state hydrocarbons concern, have been bogged down in complex price and gas contract negotiations since July 1986. They were originally due to agree by the end of last year.

Their failure reach a commercial agreement has provoked growing frustration in Algeria and increased friction between the two countries.

Mr Belkacem Nabi, the Algerian Energy Minister, warned of "huge political implications" after the latest round of negotiations in Paris last week again failed to produce agreement.

Algeria, with the Soviet Union, is France's biggest gas supplier, meeting about 28 per cent of its needs. France has three supply contracts with Algeria, accounting for 9.15 billion cubic metres a year.

The current negotiations are blocked on three issues - the gas pricing formula, French demands for greater flexibility in the volumes of gas to be supplied, and the renewal of existing contracts. The oldest of these is due to expire at the end of 1988.

Algeria is particularly anxious to resolve the negotiations with France, since gas now accounts for 98 per cent of Algerian external earnings.

Mr Nabi warned at the end of last week that the gas issue was the key to Franco-Algerian co-operation. However, he also indicated Algeria was prepared to see that the price France pays for its Algerian gas was in line with the price of its other imported gas supplies.

In the longer term, France wants to spread its gas supplies between Algeria, the Soviet Union and Norway, with each country accounting for about 25 per cent of imports.

The remaining 25 per cent would be made up from France's declining Lacq gas field as well as other exporters, including the Netherlands and a number of new suppliers.

GdF - together with several other European gas utilities - has started discussions with Nigeria, and has also had contacts with Qatar.

Galileo gets two new airlines

By Michael Donne, Aerospace Correspondent

TWO MORE airlines, TAP of Portugal and Aer Lingus of Eire, have joined Galileo, the joint computer reservations system (CRS) set up this summer by British Airways, Swissair, KLM and Covia, part of United Air Lines of the US.

British Caledonian, Austrian Airlines and Alitalia of Italy also recently joined Galileo. The rival European CRS system, Amadeus, includes Air France, Lufthansa, Iberia, Scandinavian Airlines System, Finnair and Linjeflyg of Sweden. The aim of CRS "clubs" is to link airlines' computer systems to enable them to display services on travel agents' screens in the hope of boosting market share.

Both CRS groups have been wooing uncommitted airlines, such as Icelandair, Sabena, Olympic, Turkish Airlines and JAT of Yugoslavia.

Algeria finds new role for Chambers of Commerce

BY FRANCIS GHILES, RECENTLY IN ALGIERS

THE ROLE of Algeria's Chambers of Commerce is being revived, as part of reforms to liberalise the country's economy and improve co-operation between the dominant public sector and the myriad private companies, which until recently were held in great suspicion by parastatal organisations.

In December, the Chamber of Commerce of Algiers will elect its first president in over 20 years. The Chambers of Algiers and Oran - the town with the most private companies outside the capital - were closed in 1974, when the former Head of State, Mr Houari Boumedienne, was pursuing increasingly strident 'socialist' policies. They were reopened in 1980 - one year after Mr Chadli Bendjedid was elected President - and became operative three years later. But only recently have they been able to set up commissions listing all the private companies specialising in a given sector.

The presidential decree of August 1, 1987 allows free membership of the Chambers for private and State companies. The former will hold two thirds of the seats on the new ruling body, which will have the sensitive task of distributing import licences to companies within the framework of the foreign currency allocated by the Ministry of Trade to each sector.

Private businessmen have been invited to the meetings of the all-powerful inter-ministerial commissions which decide what to buy abroad, where and from whom. They are also being invited to join official Algerian trade delegations abroad. Because the country prefers to conduct trade through 'framework agreements' with foreign partners, such missions play a crucial role.

UK order is export first for West Bank

BY ANDREW WHITLEY IN RAMALLAH

HIGH QUALITY silk lingerie made by a small Palestinian company will be appearing shortly on the counters of Harrods, following the Israeli Government's recent approval of the first-ever direct export of industrial goods from the occupied Arab territories.

Promotion of private enterprise in the West Bank and Gaza has been a key theme which Western governments have hammered away at in recent years in their dealings with the Israeli authorities. But the national unity Government currently led by Mr Yitzhak Shamir has been notoriously slow in demolishing 20-year-old barriers in the way of Palestinian exports.

In theory, the doors to the European Community market were opened last October. A Community directive gave duty-free access to industrial goods from the small Palestinian manufacturing sector in the occupied territories. But it took a full year before the first breakthrough shipment was made.

Earlier this month, Mattin, a non-profit making organization in Ramallah, not far from Jerusalem, finally obtained all the required stamps and permits from the various Israeli Government departments to enable it to ship a consignment of women's underwear to the UK.

The value of the consignment, £3,000, was insignificant, even by the standards of a company which recorded sales of only £60,000 last year. What delighted Mr Charles Shammas, Mattin's project director, was the fact that among the customers were Fenwicks, the London department store, and a number of fashionable boutiques

China fights to keep the tourists interested

BY ROBERT THOMSON IN PEKING

ON A CLEAR day, tourists standing atop the rostrum used by Mao Zedong to review Red Guards during the Cultural Revolution should be able to see China's first Kentucky Fried Chicken store at the other end of Peking's Tiananmen Square.

As part of the drive to attract foreign tourists, the Chinese Government has allowed the opening of both the once-sacred rostrum and the fast-food store, as well as a rifle range at which visitors can hire and fire an AK-47 or an anti-aircraft gun.

China has realised that this year is a turning point in its tourist development. The number of foreign tourists rose by only 7.8 per cent last year, after an increase of 33 per cent in 1985 and of an average of more than 22 per cent annually from 1978 to 1985.

Tourism officials blame the smaller increase last year on the "monotonous" activities offered and "poor service", though industry analysts say a key factor is that the China novelty is wearing off. Many foreigners waiting to visit a China closed in past decades have passed through in recent years and the country must now prove itself against tough tourist competition, the analysts say.

Chinese provinces have been urged by the central government to devise new diversions, and almost every day officials announce the opening of a park, the restoration of a temple or more creative pursuits, such as train-spotting or the rifle range. It was announced last week that tourists will soon be able to watch re-enactments of the sacrificial rites of Chinese emperors.

The deputy director of Peking's tourist bureau, Mr Lu Bing, has just declared that tourists spending more than $30 on souvenirs will be given lottery tickets and have a chance of winning a week-long stay in the capital - the winner will have to make his or her own way back to Peking.

Tourism figures for this year show improvement, but the 16.6 per cent increase in the first six months is still far below what the government had envisaged up until last year. On the basis of the boom in 1985, the government planned for 5m tourists in 1990 and 10m annually by the end of the century. Those goals are now out of reach, with the figure for this year likely to be around 1.8m.

The government had also planned hotel development on the basis of the previous large increases, and so numerous cities are likely to suffer a long-term glut. The State Planning Commission has conceded that there will be a room surplus of at least 30 per cent in Peking by 1990, though the actual figure could be far higher, as several influential Peking departments have signed contracts despite a government ban on new hotels.

Chinese officials are aware that poor service and transport problems have made it unlikely that many visitors of the past few years will return. Planes are habitually late, throwing tight schedules into disarray, and pre-paid hotel bookings sometimes disappear.

The office of the State General Administration for Travel and Tourism says key problems are the shortage of good interpreters and the poor calibre of management staff: "in view of this, complaints about the quality of our tourism among foreigners are understandable".

"GINGER, YOU OWE ME A BOB."
"YEAH, AND YOU OWE ME THREE BOB. GIVE ME TWO BOB, AND WE'LL CALL IT QUITS."

MANY INTERNATIONAL BANKS HAVE JUST TAKEN A LEAF OUT OF THEIR BOOK.

William and Ginger are demonstrating the concept of 'netting'.

It's an idea that's been taken up by many of the leading international banks in the world.

The sums of money may be larger (and the trousers longer) but the principle remains the same.

Every day, the banks buy and sell foreign currency by the billion, making many different deals in different currencies.

Before 'netting', the banks would settle up after each individual deal. Now, under the foreign exchange netting system developed by FXNET, they can settle up just once a day for each currency. After totting up all the deals, they simply transfer the net amount owed.

This cuts the number of payments to a minimum, and reduces the settlement risk.

Of course, a good idea is only good if it works in practice. Which is where we came in.

Our consultants worked closely with FXNET throughout, from the specification stage right through to implementation.

Initially, we looked at the controls within the computer system, then we tested it out. And 'acceptance-testing' continued as more enhancements were added.

As part of our input, we also developed a user training programme, helped set up FXNET as a company, and gave advice on business strategy.

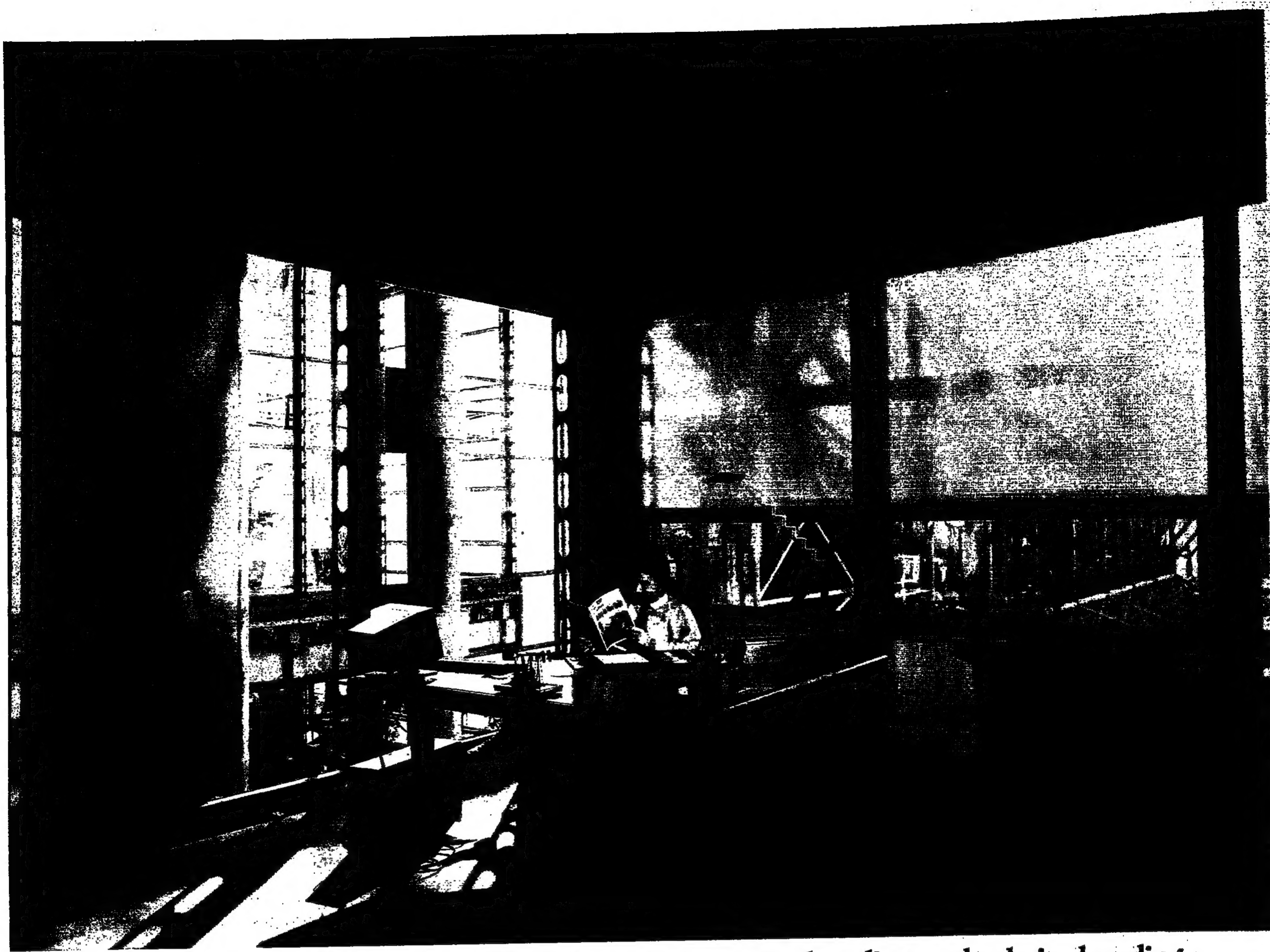
The next move is to set up the FXNET system in New York and Tokyo. And we'll be involved there too.

It seems that FXNET users like our 'hands-on' approach. We manage to be independent and objective, yet at the same time involve ourselves in the daily nitty-gritty.

We call this attitude 'getting our hands dirty.'

Another idea that might well have come from William and Ginger.

Price Waterhouse



Industry keeps calm but cautious during the crash

BY KEVIN BROWN, TERRY DODSWORTH, DAVID THOMAS, PETER MARSH and TONY JACKSON

THEY MAY be panicking in the City of London over the markets turmoil in the Stock Exchange but there was hardly a hint of concern in the boardrooms of British industry yesterday.

Upper lips stayed decidedly stiff across most industrial sectors, except where they were curled upwards in disgust at the antics of the markets.

Mr Denys Henderson, chairman of ICI, led the field in this respect: he described himself as "extremely narked (angry), to say the least" over what had happened to his company's share price.

In response to yesterday's record third quarter profits of over £1bn before tax, the price collapsed a further 40p to below £10. Three weeks ago it was £16.40.

"ICI's profits, dividends and earnings per share are up dramatically," he said. "You may say it's all happened before, in 1974 or 1980, but the difference this time is that the whole company's been restructured. At under £10 our shares are undervalued on a yield basis alone."

Other companies took a less critical view of the events in the markets, but were equally sanguine about their own prospects. This "business as usual" approach was most marked in the chemicals and pharmaceuticals sector.

Glaxo, Britain's biggest drugs company, said: "The direct consequences (of the stock market crash) are not at all obvious for a company like ours, which is not in the middle of an acquisition programme, nor in a development phase, and is cash-rich."

There were *also* plenty of companies, mostly large ones with a substantial share of their own markets, which were willing to speculate on the bright side of a stock market collapse.

Mr John Everett, European sales manager of TNT, the Australia-based transport multinational, said it could lead to a shake-out among the many highly geared, small companies which had entered the booming express delivery market.

And Mr Charles Orange, finance director of Associated British Ports, said it could be an opportunity for companies with substantial cash reserves to pick up acquisitions at bargain basement prices.

But if there was no panic, there was plenty of caution. Wellcome, the big pharmaceuticals company, said the situation was causing concern, "in the sense that any major instability is worrying."

On the other hand, no-one seemed to expect a short-term downturn in demand, in terms either of consumer spending or capital equipment.

More tangibly, it was clear that the decline in share values could have an effect on the ability of companies to finance investment.

The consensus was that it has become harder for companies to go for large-scale acquisitions financed with their own paper. Smaller, organic investments, or even the modest, "infilling" type of acquisition, were thought unlikely to be affected by the problems in the financial markets over the near term.

Both GKN and Hawker Siddeley, for example, have been acquiring a number of small companies in the US recently. Hawker alone has taken over 20 in the past 18 months.

It has used cash to finance the programme, and has two further deals in the pipeline that have not so far been affected by the turbulence in the financial markets.

The two companies could be hit if there were a downturn in consumer demand that fed through into reduced car sales in the US. But GKN makes the point that its investment cycle tends to be a long one, not necessarily affected by short-term blips in the market.

The US economy emerges as one of the key issues for much of British industry.

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United ends ties with Sunday Sport paper

BY RAYMOND SNODDY

LORD STEVEN'S Express Newspaper group, owned by United Newspapers, is severing its relationship with Mr David Sullivan's Sunday Sport, the most down-market of all Britain's national newspapers, after only seven weeks.

In September, United agreed to buy a 24.8 per cent stake in Mr Sullivan's company, Apollo, for an an investment of around £2m. In return, one of United's papers, The Star, got Mr Michael Gabbert, former editor of Sunday Sport, as editor and the services of Mr Sullivan as a *marketing consultant*. Apollo was also to receive 0.5p per copy if the circulation of The Star rose above an agreed figure.

Mr Michael Gabbert greatly increased the nipple count in - and the criticism of - The Star, a tabloid daily and has left the paper.

Sir Gordon Linacre, chief executive of United Newspapers *said simply yesterday*: "We made a mistake."

United hopes Apollo will buy back the shares at the same price it paid, although the final financial details of the settlement have yet to be worked out.

Ulster report calls for stronger law on job discrimination

BY OUR NORTHERN IRELAND CORRESPONDENT

THE FAIR Employment Agency in Northern Ireland should be replaced by a new organisation armed with wide-ranging powers to tackle job discrimination, according to a major official report published yesterday.

The report - from the Standing Advisory Commission on Human Rights, which advises the Northern Ireland Secretary on the adequacy of legal provisions against religious discrimination in the province - advocates sweeping changes to existing laws and practice.

In particular, it urges legislation to introduce a new declaration of practice on equality of opportunity to which all employers would be asked to subscribe and which would be monitored by the new fair employment body. Other proposals contain elements of positive discrimation.

According to the findings, Roman Catholic men are more than twice as likely to be uemployed as Protestants. Widespread reforms are necessary *"as a matter of urgency"* to deal with inequality of opportunity in the workplace, it says.

The report is being interpreted as an attempt to persuade the Government to adopt a much more aggressive policy towards fair employment in Northern Ireland.

In a written parliamentary answer Mr Tom King, the Northern Ireland Secretary, welcomed the report and said it would be of "great value" to the Government in framing proposals for new legislation on fair employment.

Mr King said the Government had already taken action by publishing, in September, a revised guide to the effective practice of religious equality of oppportunity.

The Commission felt a new body would enable a fresh approach to be given to problems as the Fair Employment Agency had come under criticism from both communities, either for not doing enough or for doing too much.

Mr Bob Cooper, chairman of the Agency and an ex-officio member of the Commission, said, however, that he did not feel the issue was central to the debate.

"I am not convinced that a fresh start would make much *difference. Those who think* we do either too much or not enough will still retain those views."

Mr Seamus Mallon MP, the Social Democratic and Labour Party deputy leader, called on the Government to act.

Ruling clears way for equal pay claims

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE HIGH Court yesterday overturned a decision which had implied that a million National Health Service employees were excluded from statutory entitlement to equal pay for work of equal value.

The court ruled that an industrial tribunal last year had been wrong to block equal value claims by three speech therapists on the grounds that NHS regulations precluded such action being taken. The three claims will now return to the tribunal stage.

The decision clears the way for 1,200 claims already lodged by speech therapists and for possible claims by other women in the NHS, who make up about 80 per cent of its workforce.

Although speech therapists have been offered "considerable" pay rises under a regrading scheme, there will now be strong pressure on the Government to concede equal pay in full.

ASTMS, the white-collar union, has backed the three test-case claims. The women seek pay equal to that of male clinical psychologists and hospital pharmacists, who earn between £4,000 and £8,500 more per year. Basic salaries for most speech therapists, more than 90 per cent of whom are women, range from £7,368 to £9,720.

Last November the London Central Industrial Tribunal accepted the employing health authorities' opening defence that the 1974 NHS Regulations took precedence over the 1983 equal value legislation.

The regulations state that any NHS employee covered by Whitley Council pay negotiations should be paid "neither more nor less" than the rates set by such negotiations.

British Coal withholds pay rise for NUM pits

By John Gapper, Labour Staff

BRITISH COAL yesterday withheld a 4.3 per cent pay increase from members of the National Union of Mineworkers at pits where the NUM rather than the rival Union of Democratic Miners is in a majority, in an attempt to force an end to the NUM's overtime ban.

The increase - the second phase of a two-year agreement with the UDM - will be paid to NUM members at pits where the UDM is the majority union, following legal advice taken by the corporation. The increase would take effect from the pay week beginning November 2.

British Coal said wage increases would only be paid to NUM members at units where the NUM was in a majority from the date that industrial action - which is costing £3m a week in lost production - was called off.

Mr John Northard, the operations director, said industrial action was losing mineworkers £1.5m a week in pay.

He added: "All the issues raised by the NUM which led to their ballot on the code of conduct and overtime ban are now dead. There is no credible reason for the overtime ban to continue."

The increase agreed between British Coal and UDM leaders has been calculated to reflect changes in the retail price index as the second phase of a two-year agreement. It improves basic grade rates by between £4.95 and £6.65 a week. The Coal board also agreed to consider other wage and conditions issues.

UK NEWS

Holders of Russian bonds to gain 10% of face value

BY RALPH ATKINS

HOLDERS OF pre-revolutionary Russian bonds, to the envy of most other shareholders, are to receive an unexpected windfall this week.

Bond owners, who submitted claims to the Government early this year for stock issued before November, 1917 and guaranteed by the Russian Government, will be paid 10 per cent of their face value, the Government said yesterday. Further instalments - up to at least 20 per cent - are promised in the future.

The settlement is considerably higher than the Government expected when it announced the arrangements in January. About 37,000 bond holders were registered with the Government when it last counted in 1951 but yesterday it said it had received only 3,300 valid bond claims.

To the surprise of the Government, many owners have disappeared or decided their bonds were worth more as collectors' items. Individual cheques, which are being sent out today by Price Waterhouse, the accountancy firm acting on behalf of the Government, vary between £1 and £5,000.

The money is to be paid from a fund set aside for compensation by the Soviet Union in July, 1986 and now worth about £50m.

The Government said property claims, which total about £200m, are proving more difficult to assess. Civil servants are, however, trying to work out how to value such claims as those for a turn-of-the-century saw mill and a stuffed parrot. Mr Timothy Eggar, Under-secretary at the Foreign Office, said he hoped property claims would be settled by 1989.

The Government yesterday also announced similar deals which have been arranged with China and Bulgaria. About £20m has been set aside to settle claims for assets lost during the Chinese revolution and about £1m for Bulgaria.

The China arrangement will involve companies mainly, although the Government estimates about 850 individuals could benefit. The deal is likely to prove even more complex than the Russian arrangements.

The Bulgarian deal uses a simple schedule for different types of loan stock. It is being arranged through National Westminster Bank.

Mr Eggar said the China and Bulgaria agreements mean compensation has been arranged for British citizens from almost all the Eastern bloc countries. Only East Germany remains outstanding.

BT calls in US group to advise on computers

By David Thomas

BRITISH TELECOM has called in Nynex, a large New York-based telephone company, to help it sort out the computer strategy for its main network.

This is the first time that BT has used one of the large US Bell operating companies as a consultant for a key part of its strategy.

BT believes that telephone administrations will act increasingly as advisers to each other in order to spread costs.

Under the contract, worth about $4m (£2.34m), Nynex will advise BT how to integrate its different network control systems into one computer-based system.

BT said it could draw on Nynex's experience of having done this in New York.

Nynex, which is keen to develop its operations outside the US, will also consider how BT's plan to computerise its customer support services fits in with the its network system.

Some observers have suggested that BT has fallen behind target in implementing its ambitious plans to computerise its local services.

BT said that improving computer systems on its core network would have a beneficial spin-off on quality of service, although the Nynex contract was not centrally directed at BT's quality of service problems.

Mr Dale Thomas, vice-president of marketing at Nynex International, said: "This project with BT represents a key step in our long-term strategic partnering plans."

● Mercury Communications, BT's fledgling rival, is to extend its telex service from November.

Mercury said that its directly connected customers will be able to save 10 per cent to 18 per cent on telex charges to any country. It is also launching a telex service for all users, whether or not they are directly connected to Mercury.

Institutions buy £3.96bn shares in June quarter

By Ralph Atkins

INVESTMENT IN ordinary shares by non-bank financial institutions rose sharply to a record level in the second quarter of 1987.

Figures published yesterday by the Bank of England show building societies, pension funds, unit trusts and other institutions invested £3.96bn in UK shares in the three months to June, compared with £1.39bn in the first quarter of 1987.

The upswing is accounted for mainly by pension funds, which increased investment in UK ordinary shares from £414m in the first quarter to £2.95bn in the second. The funds cut overseas share purchases from £1.65bn to £272m in the same periods.

Unit trusts increased investment in UK ordinary shares from £788m to £814m between the first and second quarters and cut purchases of overseas shares from £625m to a net disposal of £112m.

The institutions made a net disposal of £406m in British government securities compared with £1.13bn in the first quarter. Pension funds disposed of £533m while unit trusts made a net purchase of £26m.

The total flow of funds into the financial institutions increased by £1bn to £19.2bn

Swindon company wins Electrolux chip contract

BY DAVID THOMAS

A SMALL British company is to help Electrolux of Sweden, the world's biggest domestic appliance manufacturer, introduce a new generation of advanced semiconductors into its products.

IMP Europe, based in Swindon, is to define and develop semiconductors for Electrolux over five years.

Mr Bo Wikstrom, director of Electrolux's electronic components arm, said Electrolux was keen to increase the electronic content of products such as freezers, dishwashers, mixers and vacuum cleaners.

IMP Europe will be developing custom-built chips, known as application specific integrated circuits, for these products' control units.

Mr Wikstrom, who described the deal as very important for Electrolux, said that its demand for these chips would run into millions of units and production of some of them should start within the next year.

IMP Europe will help choose the companies to make the chips. Some of the demand will probably flow to its US affiliate, International Microelectronic Products, a California-based semiconductor maker.

The Californian company holds 40 per cent of IMP Europe, the rest being owned by the six British founders who returned from the US to the UK last year, and by some venture capital groups.

Mr Wikstrom said Electrolux had considered all the main semiconductor suppliers before awarding the deal to IMP Europe, partly because the company could respond flexibly to demand because of its small size.

Money supply growth up

BY RALPH ATKINS

THE BANK OF ENGLAND yesterday confirmed its provisional estimates for money supply growth in September.

Final figures show the officially-targeted narrow money aggregate, Mo, rose a seasonally-adjusted 0.8 per cent after a 0.3 per cent increase in August, taking the annual growth rate to 5.2 per cent.

The Government is operating a 2 per cent to 6 per cent target

The broad money aggregate, M3, rose a seasonally-adjusted 0.8 per cent in September taking its annual growth rate to 19.5 per cent.

Machine tools

OUR REPORT on Tuesday on the restructuring of the machine tool industry stated that W E Sykes was the UK's sole remaining maker of gear-shaping machines. Parkson and Sunderland Machine Company of Shipley, West Yorkshire, has asked us to point out that it too makes such machines.

Nick Bunker looks at the liability insurance problem

'Big Eight' score a small victory

A SMALL victory was scored on Wednesday night by the UK's accountants and construction industry professionals with news of Whitehall plans for an inquiry into the true size of their liability insurance crisis.

Marked by shortages of cover and big price increases, it has been a crisis felt most by the "Big Eight" international accountancy firms.

For cover against claims of up to $50m - which is essential because of a business climate in which they are automatically sued if they have audited a company which later went bust - they have seen premiums jump from maybe $1m in 1984 to $4m or more in 1987.

It has also meant, for instance, that British firms of architects are now finding that insurance premiums eat up on average perhaps 7 per cent of their fees, against 2 per cent in 1983 and 1 per cent in the 1960s.

Hence a welcoming, if cautious, response by the professions yesterday to the Department of Trade and Industry's announcement. "It has to be welcomed," said Mr Ray Cecil, former chairman of the practice committee of the Royal Institute of British Architects. "They have been turning such a stony face to the question for so long that we have to be pleased."

Ironically, a concession that has required 18 months of lobbying from the professions has appeared at the very time when the crisis appears to be easing - for the time being.

In fact, from about May or June this year the impact of three years of steep premium increases for liability insurance policies began to bring significant changes in the readiness of underwriters to insure the professions.

A concession that has needed 18 months' lobbying has appeared as the crisis appears to be easing

According to Ms Nancy Layton-Cooke, of Nelson, Hurst & Marsh, a Lloyd's insurance broker, a big law firm could if pressed find £75m of liability insurance cover in London now, while £60m could be easily placed. She says, medium-to-large sized domestic British accountancy firms are also "well-catered for," though the Big Eight still have difficulties because of their worldwide exposure to possible litigation.

The reasons for the easing in the market are complex. The simple underwriting explanation is that premium rates have risen to levels where insurers find the risks acceptable.

Another factor is that initiatives taken by the professions to arrange alternative means of financing their own risks have opened up the possibility that some classes of professional indemnity insurance could leave the traditional, commercial insurance market altogether.

The best known examples have been Riba's creation in 1986 of its own preferred insurance scheme, which is now working "reasonably well," according to Mr Cecil.

The difficulty for the professions is that the easing of the market is cyclical - and could give way to another round of capacity shortages and price increases in the 1990s.

It has not arisen from any removal of the root causes of concern. The Institute of Chartered Accountants in England and Wales points for instance to "joint and several liability" as the legal concept which has done most to increase claims against its members, because it means they can be sued for the entire cost of a business failure even if they were only marginally to blame.

In turn, Wednesday night's announcement from the DTI that it was setting up three fact-finding teams to examine the price and availability of liability insurance for selected professions was only a limited response to broad-based lobbying that reached a peak last April.

Then, representatives of professions including solicitors, barristers, surveyors, architects and consulting engineers united in urging the DTI to set up an inquiry into the issue across the whole range of professions.

What has made the issue so difficult - and perhaps contributed to the Government's long delay in making a positive response to lobbying - is that the crisis has had complex roots, in changing social attitudes to the professions, in the evolution of tort law, and in the fluid financial dynamics of the insurance business.

The legal roots stretch back to the 1930s, which marked the beginning in the UK of a process of steady expansion in concepts in legal negligence.

What has made the issue particularly intractable is that overlaying the evolution of the common law of negligence have been changes in the nature of risk itself. Architects and other construction industry groups are one of the clearest examples.

Given the complexity of big modern construction projects, faults can go unnoticed for years. According to Mr Cecil, it is quite easy for a claim against an architect to take 10 years to emerge, and another 10 years to be settled.

Secrecy 'vital to DTI probes'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DEPARTMENT of Trade inspectors investigating suspected insider dealing should not have to "show their hand" to the courts, the Law Lords were told yesterday.

Their investigation might be damaged if they had to give details of evidence they had collected, said Mr John Mummery.

"Once it comes out that the inspectors are interested in the affairs of a particular company, or the activities of a particular individual, there is a risk that they will seek to cover their tracks."

If the inspectors said they needed information from someone because it might help their investigation and prevent crime, the courts should trust them because they alone knew what was needed, he added.

Mr Mummery was appearing for two inspectors - Mr John Lindsay QC and Mr Peter Crozier - who are trying to compel Mr Jeremy Warner, business correspondent of The Independent newspaper, to identify the sources on which he based two articles on takeovers.

The five Law Lords reserved judgment on Mr Warner's appeal against a Court of Appeal ruling in May that he had no reasonable excuse under the 1986 Financial Services Act for not co-operating with the inspectors.

Mr Warner contends he has a professional right and obligation as a journalist to keep his sources confidential. He claims he is protected by section 10 of the 1981 Contempt of Court Act which states that a court shall not require disclosure of a source unless it is necessary for the prevention of crime.

If Mr Warner loses his appeal and continues to refuse to co-operate with the inspectors he could be jailed or fined.

Mr Sydney Kentridge QC, for Mr Warner, had argued that the inspectors had not established by evidence that Mr Warner's information was necessary for the prevention of crime.

Mr Mummery said yesterday that the inspectors only had to satisfy the court, in general terms, that they had good grounds for thinking that Mr Warner's information was necessary for their investigation.

The inspectors were investigating serious criminal offences. They were appointed because of suspicions that civil servants in the Trade Department, Office of Fair Trading or Monopolies and Mergers Commission were leaking price-sensitive information to one or more insider dealing rings.

Mr Mummery said: "If it is coming from the inside there is, at the very least, a breach of duty on the part of Crown servants that may well constitute a criminal offence under the Official Secrets Act."

Claims move on mine subsidence

By Maurice Samuelson

BRITISH COAL is to be penalised if it delays settling claims by thousands whose homes are annually damaged by mining subsidence.

Under a white paper, issued yesterday by the Energy Department, BC must pay home-owners an extra 10 per cent if repairs, costing up to £3,000, take longer than six months.

This could put an extra burden on BC which pays about £90m a year for repairs. However, it is not expected to exceed savings through tighter control of repair spending.

Mr Michael Spicer, Coal Minister, said the paper aimed to balance householders' rights and the costs to the industry and taxpayers. It was a reply to the 1984 Waddilove Committee report which found shortcomings in earlier provisions.

The Repair and Compensation System for Coal Mining Subsidence Damage. HMSO. £5.

Fresh spirit of enterprise 'starts to enter economy'

BY CHARLES BATCHELOR

A NEW spirit of enterprise is making its mark on the economy, though its effects have yet to show in conventional economic data, and while there is still far to go in transforming attitudes to wealth-creation enterprise has been reborn and will not easily be extinguished again, says a study soon to be published by 3i.

The study, Britain in the 1990s: Enterprise Reborn?, was commissioned by 3i, the investment and venture-capital group backed by the Bank of England and the leading clearing banks. It was made by Graham Bannock & Partners, a consultancy specialising in small businesses.

The broader economic data on employment, investment levels and imports leaves room for doubt about whether anything has really changed to affect Britain's long-term growth prospects, the study concedes.

However, changes in enterprise - defined as new entrepreneurial activity such as diversification and innovation in products, processes and organisations - is not reflected even in the medium term by such data and may not be capable of measurement at all.

It is possible for gross domestic product or employment to be declining while massive beneficial change is occurring in particular sectors and places which will only show in macro-economic data after a decade or more, the study says.

Information about the older, declining industries is more complete and more easily interpreted than that on the new industries which tend to be buried under the labels 'other services' and 'not elsewhere classified.'

The study presents evidence of change which include:

- A resurgence in creation of small companies and a rise in the number of failures as people take more risks. The number of surviving companies on register has risen strongly since the 1960s to about 1m, though probably only 350,000 are trading. The number of self-employed in small business has been rising.

The best conditions for self-reinforcing growth appear to be where there are many small- and medium-sized firms. A big pool increases the chance that a few will grow to substantial size and stimulates the combination of technologies from different fields in new ways.

- A small but significant decline in the share of the 100 largest private-sector enterprises in manufacturing output in 1984 after rises to the late-1960s and stability through the 1970s and early-1980s.
- A leap in the number of management buyouts, which were almost unknown before the mid-1970s.
- A rapid rise in new stock-market listings of companies and creation of the Unlisted Securities Market and the Third Market.
- A spectacular increase in the number of venture-capital companies since 1979 to a current total of nearly 130. Many of the companies to receive venture-capital or to float are in advanced sectors of manufacturing which are substituting for lower-value products.
- A change in social attitudes as shown by the growing popularity of a career in commerce and industry and the growing fashion for starting one's own business.
- A growth in the numbers of books and magazines on commercial subjects.
- The emergence and growing strength of organisations to represent small business; the growing number of small business competitions; sponsorship of business-promotion by big companies and local authorities; and growth in the number of local enterprise agencies.

The study says: "Many of these changes are not restricted to Britain. They are to a greater or lesser extent to be found elsewhere. But Britain, which led the Industrial Revolution, also suffered most from the accumulated consequences of that lead and may be throwing off some of these first."

Crime rate increase losing momentum

Financial Times Reporter

A FALL in the pace of the rising crime rate was shown by government figures released yesterday.

The number of offences reported to police in the first eight months of this year was 1.5 per cent higher than the same period last year, said Mr John Patten, Home Office Minister.

The 1986 figure had been an increase of 6 per cent on the number of reported offences in the first eight months of 1985.

During the past 30 years, the average annual increase in the crime rate has been 6 per cent a year.

Seven police forces, including the Metropolitan, said there was an overall fall in the crime rate from last year's figures.

In London, reported crimes fell from 573,000 to 544,000 in the first nine months but violence against the person increased by 5 per cent.

Mr Patten called the change in figures this year "considerable."

He said: "Good policing and a realisation by the public of the importance of crime prevention could be having an effect on crime against property - and 97 per cent of crime is against property."

Hazel Duffy looks at the shadow cast over next week's CBI conference

Industry looks for the silver lining

NEARLY TWO weeks of gyrating stock markets have cast a shadow over the annual conference of the Confederation of British Industry being held in Glasgow on Monday and Tuesday.

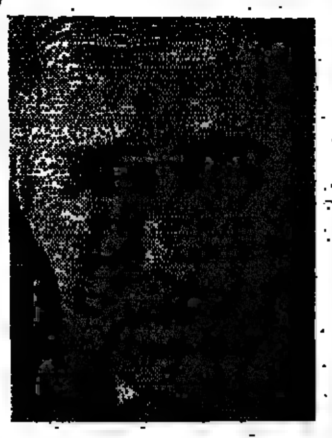
Until Black Monday, everything in the garden had seemed lovely. Industrial production was back at its 1979 level, productivity was up, profits were on a sharply rising trend and CBI membership was increasing. Glasgow 1987, with its Project Excellence theme, was to have been one of the year's happier occasions.

Fundamentally, nothing has changed. That, at least, is the point that the CBI keeps making in an effort to restore calm. Except, of course, that a vital source of finance for companies has been cut off.

Meanwhile, instability in the securities markets is a reminder to companies that few can cocoon themselves from what is happening elsewhere in the world economy, especially in the US.

Mr John Banham, addressing his first conference as CBI director-general, will seek to turn recent events into an opportunity. "This is just a squall compared to the hurricanes that industry had to weather in the early 1980s. If interest rates keep coming down, as they ought to and need to, that will be good news. It is the cost of money which is so serious.

"But if this recent shock in the markets - it is not a collapse - serves to remind us that we have a long way still to go, that this is no time for complacency and that there is a major investment gap in British industry, it will have done no harm."



John Banham: this is no time for mood of complacency

Mr Banham wants to get two main messages over in Glasgow. The first is that British business is in a much healthier state than for a long time.

"Things have really turned around without the great British public realising it. There has been a transformation since the beginning of 1980, when I was last going around business." Mr Banham then went on to head the Audit Commission, the watchdog on local government spending, before joining the CBI last spring.

"It is there in the quality of management, far better working practices, higher levels of investment. This is why 'excellence' was chosen as the theme for the conference: excellence is not an aspiration but a reality in many companies."

The second message is that this new confidence needs to be transposed into business doing more to help itself. Mr Banham will point to the need for companies to invest more in training, in the inner cities and to get more involved in education. These topics will be expanded on during the Glasgow debates.

The big task for Mr Banham is to urge business leaders to show by their actions that they are prepared to take on wider responsibilities. Too often, the CBI has cast itself in the role of pleading, which has sometimes sounded like whining.

However, CBI leaders will also be hammering home the message that, if industry is to maintain its growing international competitiveness, it needs more help from the Government.

Sir Trevor Holdsworth, chairman of GKN and the next president of the CBI, who was last year appointed to head a working party on industrial strategy will make the opening speech in the debate on Tuesday morning.

The level of interest rates is critical for its members, says the CBI. "We cannot save our way to prosperity. We have to invest. Industry has done a great job in reducing costs. Now the need is to add value through investment. But how can you expect business to invest when interest rates are as much as eight percentage points higher than some countries on the Continent, and in terms of return on assets, it is so much less profitable than elsewhere?" asks Mr Banham.

On exchange rates, the other key factor determining competitiveness, the CBI is relaxed that while Britain has not joined the exchange rate mechanism of the EMS, it is very nearly there in reality. Its plea has always been for stability in exchange rates, not depreciation of sterling.

Other "competitive handicaps" which he will be pushing hard on concern public spending. "If money is being washed down the drain in Camden, it is not available elsewhere," he says. Electricity prices are high relative to continental competitors and "the £2bn rates burden that has been put on industry in the last few years".

The CBI is lobbying against the Government's proposed rate reform, the Poll Tax, particularly the uniform business rate. These are campaigns on which the CBI can carry all its members.

Potentially divisive issues do not get aired in conference. A handful of resolutions has been submitted for ballot on the first day which, if they get through, could cause a bit of a stir. But Mr Banham looks set for a smooth ride.

If only the markets had not behaved as inconsiderately as they have, Glasgow could have been that celebration of excellence that the CBI had planned.

Skill shortages 'could retard NW development'

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SKILL SHORTAGES could retard development in north-west England if they continue at present levels, Manchester Chamber of Commerce and Industry says in its quarterly survey of business confidence.

North-western business is represented widely by two regional chambers, Manchester and Merseyside. Merseyside's third-quarter survey, also published this week, reports similar difficulty in recruitment with 25 per cent of companies having problems.

In the Manchester region there was no problem in finding unskilled or semi-skilled manual workers. The problem was with skilled manual labour where 40 per cent of companies found difficulty.

None the less both chambers continued to report high levels of confidence although the disparity in economic performance between the two main urban centres was again apparent.

In and around Manchester, where the economic base is much broader than on Merseyside, companies were more bullish, with 90 per cent expecting improved turnover and 85 per cent forecasting better profits. The figures for Merseyside were 67 per cent and 64 per cent respectively.

More Manchester region businesses - 45 per cent - had revised investment plans upwards while plans remained unchanged for the remaining 55 per cent. On Merseyside, 30 per cent had accelerated investment, 64 per cent were keeping plans the same but 6 per cent were revising downwards.

Home and export orders were up for most Manchester businesses. By contrast 45 per cent of Merseyside companies reported more home orders but only 20 per cent had more exports to report.

However, Merseyside capacity is being used more fully than at any time since before the recession although 27 per cent of businesses are still at only 60 per cent to 80 per cent and 3 per cent are still working at less than 60 per cent capacity. In Manchester all but 8 per cent of companies are at more than 70 per cent.

In spite of the level of optimism the Manchester chamber says confidence on turnover and profitability has declined since March and it remains to be seen what effect the recent stock market fall will have.

Computer group brings forward expansion plans

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

COMPAQ, the US personal computer manufacturer, has decided to bring forward by a year the doubling in size of its new plant near Glasgow.

The first phase of the plant, with 130,000 sq ft of manufacturing space, will go into production at the beginning of January. Work has already begun on the second phase for another 130,000 sq ft, which will now be operating by the end of 1988. It was originally planned to complete the second phase by the end of 1989.

Compaq, which boosted sales by 80 per cent in the first nine months of this year, started building its first European manufacturing plant at Erskine near Glasgow in February. It intends to invest a total of £16m in the plant which will eventually employ 350 people.

It is speeding up its investment at Erskine because of the rapid expansion of its international sales, which this year are expected to account for about 25 per cent of total revenues compared with 10 per cent in 1985. The European personal computer market is growing by 30 per cent a year and Compaq's largest single market outside the US is the UK.

Compaq manufactures IBM-compatible personal computers aimed at the professional end of the personal computer market. It expects its sales this year to exceed $1bn (£579m), Mr Eckhard Pfeiffer, senior vice president in charge of international operations, said in Glasgow yesterday.

Compaq's sales in the third quarter of 1987, which Mr Pfeiffer called a "spectacular year", were $313m, a 113 per cent increase on the corresponding period for 1986.

Compaq believes its sales are benefiting from doubts among personal computer purchasers about buying the new IBM personal computer, the PS/2 range.

Mr Pfeiffer admitted yesterday that there was a possibility of a recession in the major western economies driven by declining consumer spending and reduced corporate investment, following the crash of world stock exchanges. "It depends very much on the position major governments take," he said.

Compaq results, Page 29

N Ireland jobless total set to start rising again

Financial Times Reporter

UNEMPLOYMENT IN Northern Ireland is set to start rising again in spite of an improvement in the province's economy, the Northern Ireland Economic Council said yesterday in its annual report.

It said Northern Ireland's political situation could be improved if more people had full-time jobs.

An open-letter accompanied the report to Mr Tom King, Northern Ireland Secretary, from Professor Colin Campbell, the council's chairman.

He said: "It is difficult to overstate the seriousness of this problem. The persistence of unemployment in recent years has led some to a resigned acceptance of its inevitability."

While the unemployment situation was doubtless exacerbated by political problems, it also fed them. "A more fully employed working population would be a less fertile ground for political extremism," Prof Campbell said.

The council's report said that although business confidence across the province was higher than a year ago, some leading manufacturers remained under pressure.

Unemployment had continued to fall but would rise as the working population grew.

Fund managing contest raises £779,856 for charity

BY ALICE RAWSTHORN

IN THESE dark days of plunging stock markets and tumbling indices it may be reassuring to recall that once upon a time people did make money from stocks and shares.

A group of charities has joined the ranks of the beneficiaries of the roaring bull market of the past year or so. It was announced yesterday that the Holborn Great Investment Race, in which six teams of fund managers competed to raise money for charity, raised £779,856.

Alan Harper

Investment-race winners Ted Williams, left, and Trevor Pullen, right, with Sir Nicholas Goodison

The race, which ran for a year and has been reported exclusively in the Financial Times, finished late last month only a fortnight before the world stock market plunge.

The six teams competed to see which could make the most money for charity by investing portfolios, initially worth £35,000, for the year.

The teams' fortunes varied enormously. The winner, Prudential Portfolio Managers which led the field for most of the year, began with £35,000 and ended with £381,229, thereby increasing the value of its portfolio almost 11 times and making £346,229 for charity.

Fidelity, the fund management group, came second with a profit of £210,346. Hoare Govett, the stockbroking firm, was third, having made £143,502 to donate to charity.

Messel, the broking division of Shearson Lehman, more than doubled the value of its initial portfolio.

Yet two teams - Nomura, the Japanese securities group, and Bell Lawrie, the Edinburgh-based stockbroking firm - under-performed the FT-A All Share index, which increased by 51 per cent in the year.

The race was the brainchild of Charity Projects, a body which stages events and entertainments to raise money for charity. It was sponsored by Prudential Unit Trust Managers.

Half the returns will be divided between the Home Farm Trust, which provides long-term care for adults with mental handicaps, and Shape, a network of bodies aiming to help people with disabilities to participate in the arts.

The rest will be shared among more than 50 different charities, most dealing with the young homeless or young victims of drink- and drug-abuse.

For example, Broadreach House, a centre for drink and drugs victims in Plymouth will receive a contribution towards purchasing a half-way house to provide help for patients returning to the community.

Who said the only beneficiaries of the bull market were banks, brokers and the City's Porsche dealers?

Welsh tourism 'needs improved standards and value for money'

BY ANTHONY MORETON, WELSH CORRESPONDENT

IF WALES is to win an increasing share of the growing number of holidaymakers it needs to improve standards and give better value for money, according to a report published yesterday by the Wales Tourist Board.

The report, Tourism in Wales: Developing the Potential, is the first overview of the future produced by the board and is intended as a signpost for the 1990s. By then, tourism is predicted to bring in £1.5bn a year.

The document states that tourism contributed £595m to the economy in 1986 and by 1992 staying tourists alone could account for £900m. Day visitors are thought to have spent £300m three years ago, the latest estimate available.

Wales has about 9 per cent of domestic tourism and a small - 3 per cent - but growing share of spending by overseas visitors.

Most visitors go to seaside resorts and caravan parks and the country suffers from over-reliance on low-income generating, self-catering accommodation.

The draft report, which is being sent to about 80 organisations in Wales for comment, suggests that to capitalise on, and attract, more holidaymakers there should be better quality and value for money, the best of the tourist centres should be improved and new markets should be captured through the development of different facilities.

It is suggested that more holidaymakers could be encouraged through an expansion of activity breaks.

For any plan to succeed, though, it is essential that access to the holiday spots is improved through improved roads.

Tourism in Wales: Developing the Potential. Wales Tourist Board, Brunel House, Cardiff CF2 1UY. £5.

Water authorities' body urges swift privatisation

BY RALPH ATKINS

THE WATER industry should be privatised as quickly as possible, the Water Authorities' Association told the Government yesterday.

Replying to the Government consultation paper on water published in July, the association warns that prolonged uncertainty about privatisation would be bad for the industry. However, it accepts "in principle" the controversial plan to establish a National Rivers Authority as a regulatory body.

The reply was written before the recent slump in world stock markets, but the association says its views have not been changed. Mr Michael Carney, secretary of the association, said the crash was irrelevant because it would be at least two years before any sale was lauched.

He said privatisation had been under consideration by the Government since 1985. "That sort of delay is bad for any industry. The feeling that is shared by all authorities is 'get on with it'," he said.

The report papers over differences between the 10 water authorities in England and Wales that comprise the association. The association does not object to a national rivers authority to regulate the water authorities, it says, but detects confusion over the role government intends it to play.

Earlier this month, Thames Water, the biggest and most profitable of the authorities, said the Government should shelve its plans for privatisation unless modifications were made. Thames objected to setting up a state-managed quango with water management powers as well as regulatory controls.

The report published yesterday says it is not clear whether a NRA would simply regulate the water industry, or act as a managing and operating authority in its own right. It says the Government should clarify its intentions.

If the NRA is to be given a management role, the associations says, it should either have powers to license the authorities or should be given the staff and resources to carry out the necessary work itself.

Privatisation and regulation: safeguarding the public interest in a private water industry. Water Authorities Association. 1 Queen Anne Gate, London, SW1H 9BT. Free (SAE).

MoD 'very happy' with cheap US Polaris spares

BY DAVID BUCHAN

THE DEFENCE MINISTRY said yesterday it had been very happy with its $12m (£7m) purchase of Polaris missile spares, which according to a US Navy internal audit had been downrated in condition before being sold cheaply in 1982-84.

The MoD described the purchase as "a cost-effective and satisfactory procurement option."

Although the terms under which the US sold the spares were very favourable, the US would have had no other use for the equipment once it stopped using Polaris in the early 1980s leaving the UK with the world's only Polaris force.

The condition of the spares had been officially downgraded before they were sold to the UK at about one-tenth of their face value, according to a US Navy audit. The inference is that either the UK had been cheated technically or the US had been cheated financially.

It was clear yesterday that the MoD did not regard itself as having received sub-standard weapons, but rather a financial bargain of benefit to both countries since the US had no other market for redundant Polaris missiles.

The MoD pointed out that, whatever the current misgivings of US Navy auditors, the $12m price was stipulated in the deal and could not be changed.

At a press briefing last week, officials at Coulport nuclear depot described the purchase as "at summer sale prices."

Debt judgments rise 25%

BY HUGO DIXON

THE NUMBER of County Court judgments concerning consumer debts in the third quarter of this year was 25 per cent higher than in the same period of 1986.

However, the Registry Trust, which keeps a register of the judgments, said the increase could be explained by improved systems for recording judgments rather than rising consumer debt problems.

In the third quarter, 208,318 consumer debt judgments were registered, up from 166,997 in the third quarter of 1986. There was a smaller increase in commercial debt judgments, from 37,464 to 41,711.

BUSINESS LAW

The one share-one vote controversy

By Leo Herzel and Daniel Harris

ONE COMMON share, one vote: taken from political democracy the idea has a magical appeal. A recent paper using a mathematical model appears to prove that there is a solid economic basis for this appeal.* Professors Grossman and Hart show that usually when a company is being capitalised for the first time for public ownership, the optimum choice of common shares for the owners of the business would be one class with one vote for each share. This is the choice that would usually assure the owners of the business of a maximum price from their sale of shares to the public.

When large private benefits can be derived from control, the Grossman and Hart model provides for (and explains) an exception to this general rule. In that situation, the original owners of the business may prefer to accept a lower price and sell common shares to the public which have lesser voting rights than the shares they retain. Given sufficient discount or a higher dividend on the low vote shares, there is room for both sides to make a good bargain.

Family-owned newspapers provide an interesting current example. The owners may regard the paper as a means of furthering their political philosophy and desire for public service as well as a source of profit. The paper may also provide congenial employment for family members. The owners, may, therefore, be willing to sacrifice some economic return to assure their continued control. In the US, the New York Times, Washington Post and the Wall Street Journal come to mind. All of them are family controlled and have or have recently proposed classes of common stock with different voting.♦

What is so puzzling is why we need legal rules to protect the one share, one vote idea. In a free market, any voting arrangement that shareholders agree to should be all right. That is the way the market for debt securities works.

This is, in fact, the conclusion reached by English and US company law after years of evolution. In early common law, shareholders had one vote regardless of the number of shares they owned. Later statutes required one vote for each share. Now in England and in every US state except Missouri and Nebraska, there are no important statutory restrictions on the issue of common shares with different voting rights. Until some recent statutory and SEC regulatory proposals, federal law in the US has never dealt with this issue. Except for disclosure requirements, voting rights have been left to the states.

The New York Stock Exchange (NYSE), however, has had a one share, one vote rule for a long time.□ The London Stock Exchange has for some time enforced a similar rule for new listings. The rule has been justified as protecting shareholders, but it also serves the interests of the stockbrokers who control the Exchange in more changes in control and hence more brokerage commissions.

In the past few years, there has been pressure on the NYSE to change its rule. General Motors Corporation, Dow Jones (Wall Street Journal), Hershey Foods, General Cinema and several other NYSE-listed companies announced the issuance of common sharees with different voting rights. The NYSE, reluctant to delist these important companies, imposed a moratorium on compliance with its rule and created a committee to study the problem. Since the moratorium, at least 46 NYSE-listed companies have taken similar steps.

In September 1986 the NYSE, reluctantly bending to competitive pressures, submitted to the Securities Exchange Commission (SEC) its proposal to modify the one share, one vote rule.♦ The proposal would permit listing of classes of common shares with different voting rights but only if the plan was approved first by a majority of the issuer's independent directors and its shareholders. There would, however, be some exceptions from these approval requirements where the voting rights of existing shareholders are not diluted.

In response, the SEC proposed its own rule for all exchanges and the over-the-counter market.♦♦ The proposed SEC rule, however, is not really a one share, one vote rule; it is designed to protect the voting rights of existing common shareholders. Public companies are prohibited from issuing any class of securities or taking other action that "would have the effect of nullifying, restricting or disparately reducing the per share voting rights of holders of an outstanding class or classes of common stock."

Meanwhile, one share, one vote legislation (The Dingell-Markey Bill) has been introduced in Congress to make it illegal to trade any security if any of the "issuer's voting securities or any class of such voting securities has fewer or greater than one vote per share on any issue" or if "any of such issuer's common stock is without voting rights".**

The SEC proposal is much less restrictive than the Dingell-Markey bill. Still, if the SEC rule had been in effect, it would not have allowed most of the recapitalisations that are subject to the NYSE moratorium. Moreover, the rule would probably preempt the Indiana antitakeover statute that the US Supreme Court held constitutional in *CTS v Dynamics Corporation of America* since that statute takes away the voting rights of large shareholders until they obtain the approval of other shareholders.♦

State corporate law already protects shareholders from unfair dilution of their voting rights and from breach of fiduciary duty by control groups. Changes in voting rules require prior shareholder approval. Moreover, it has become customary for companies changing their voting rules to obtain the approval of a majority of the stockholders who are not affiliated with the control group. Why does the SEC not regard these safeguards as sufficient?

First, there is the argument that the right to vote does not adequately protect the right to vote. Individual public shareholders, quite rationally, do not consider their votes suffiently important to take time or trouble with them. Moreover, the SEC believes that shareholders' decisions to trade voting stock for higher dividend non-voting stock, after a plan is approved, are due to subtle economic coercion rather than free choice.

There is, however, an alternative explanation why shareholders approve these proposals. According to two recent SEC empirical studies, firms that recapitalise with high and low vote common shares have much higher insider holdings than other companies. In other words, families already have control of these companies and they would like to stay in control but allow restive members of the family to cash out.

Public shareholders in these companies may be quite pleased with the way the controlling family runs the business. To begin with, although we cannot be sure of the expectations of the public shareholders, they did not know how the company was controlled when they bought their shares. And, according to the SEC studies, firms that recapitalise show, on the average, statistically significant superior performance over market averages in the year before the recapitalisations. Furthermore, the SEC study also found that the prices of the common shares of companies announcing these voting plans increased significantly when measured from 20 days before the announcement date to 20 days after. There was little or no immediate market reaction to the announcement.

In summary the proposed SEC rule, with some liberalisation for companies with large family holdings, may not be bad. But, considering our present state of knowledge, no legal restrictions at all probably would be a better policy.

The authors are partners in the Chicago law office of Mayer, Brown and Platt.

* Sanford J. Grossman and Oliver D. Hart, One Share/One vote and the Market for Corporate Control, unpublished (1987).
♦ The Dow Jones recapitalization prompted shareholder litigation which was settled. See *Braida v Bancroft* 84-2596 (NY Sup. Ct., Suffolk County 1984).
□ New York Stock Exchange, Listed Company Manual 313.00.
♦ See Securities Exchange Act Release No. 23724 (October 17, 1986), 51 F.R. 37529.
♦♦ Proposed Rule 19c-4, SEC Release No. 34-24623 (June 22, 1987)
** Tender Offer Reform Act of 1987, H.R. 2172 (The Dingell-Markey Bill).
♦ 107 S.Ct. 1637 (1987).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1986							
1st qtr.	109.1	102.8	97	119.2	148.0	3,171	168.5
2nd qtr.	109.9	104.2	97	121.3	154.0	3,208	175.6
3rd qtr.	111.0	105.2	96	123.7	158.7	3,202	208.2
4th qtr.	111.1	107.5	95	126.5	164.3	3,141	213.0
1987							
1st qtr.	112.2	107.7	94	125.4	157.0	3,073	210.4
2nd qtr	113.0	109.7	92	128.3	165.0	2,965	228.1
February	112.7	108.4	96	127.0	154.5	3,066	207.1
March	112.1	106.7	94	125.5	157.3	3,048	210.6
April	112.9	109.3	93	130.0	169.0	3,023	213.9
May	113.5	109.9	92	125.4	161.3	2,952	231.2
June	112.3	109.5	92	129.4	167.2	2,925	233.3
July	114.8	111.6	92	131.3	172.7	2,876	234.9
Aug.				132.5	178.5	2,833	237.5

OUTPUT-By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer goods	Invest goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	102.9	101.4	114.9	101.5	109.6	102.1	14.6
2nd qtr.	105.2	101.7	115.8	103.0	110.3	104.3	19.5
3rd qtr.	106.4	101.7	117.4	103.5	109.2	103.3	19.4
4th qtr.	106.4	103.4	116.1	106.6	116.0	104.7	15.5
1987							
1st qtr.	107.8	103.9	118.1	106.2	114.7	102.4	17.4
2nd qtr	110.2	105.3	117.9	107.7	120.8	104.3	19.5
January	108.9	102.2	116.5	105.0	107.0	103.0	12.7
February	108.5	103.8	118.8	106.0	121.0	103.0	18.6
March	108.6	105.7	119.0	105.9	116.0	102.0	20.5
April	110.8	105.1	117.9	107.8	117.0	105.0	18.1
May	110.6	105.0	119.3	108.0	121.0	104.0	20.4
June	109.9	105.3	116.4	108.0	125.0	104.0	20.1
July	111.8	107.5	119.4	110.0	121.0	106.0	20.5
Aug.							16.1

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
1st qtr.	117.5	124.0	-1,227	+662	+1,860	101.0	18.75
2nd qtr.	121.9	129.1	-1,686	+146	+765	102.5	19.29
3rd qtr.	122.6	139.0	-2,891	-910	+621	103.2	22.43
4th qtr.	138.5	144.0	-2,725	-940	+785	100.9	21.92
1987							
1st qtr.	133.0	133.2	-1,135	+672	+1,164	100.5	27.04
2nd qtr	126.3	140.7	-2,361	-174	+1,023	102.7	34.36
3rd qtr	130.5	150.7	-3893	-1293	+942	103.5	
February	138.4	138.0	-282	+401	+328	100.4	22.29
March	125.9	132.2	-417	+185	+454	100.8	27.04
April	121.4	138.6	-526	+263	+423	102.8	29.81
May	123.9	144.2	-1,096	-367	+365	103.3	34.68
June	123.5	139.1	-749	-11	+245	104.4	34.36
July	131.3	147.6	-918	-310	+234	103.1	34.91
Aug.	128.4	154.9	-1,529	-829	+374	103.6	34.36
Sept.	122.9	145.6	-856	-95	+284	103.7	34.91

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,303	2,220	+855	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,422	+346	10.00
3rd qtr.	5.9	20.2	15.4	+6,985	168	+782	10.00
4th qtr.	7.6	15.3	14.1	+10,518	2,814	+444	11.00
1987							
1st qtr.	1.3	20.6	20.5	+6,867	1,495	+958	10.00
2nd qtr	2.3	23.7	23.3	+8,657	1,804	+1,023	9.00
February	0.1	10.9	17.9	+2,378	472	+296	11.00
March	-3.3	33.5	20.4	+2,082	547	+330	10.00
April	4.1	20.9	33.6	+1,971	787	+410	9.50
May	5.5	37.6	32.8	+2,758	521	+294	9.00
June	4.5	38.3	21.9	+3,924	556	+329	9.00
July	7.7	34.5	24.2	+4,832	347	+228	9.00
Aug.	7.1	22.5	21.0	+1,961	687		10.00
Sept.					198		10.00

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	178.1	132.4	142.3	96.5	96.9	1,826	75.1
2nd qtr.	184.0	125.5	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	129.8	146.3	97.9	96.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.4	98.3	1,605	68.2
1987							
1st qtr.	192.6	129.8	149.2	100.3	100.5	1,569	69.9
2nd qtr.	194.6	128.7	150.3	101.9	101.3	1,598	72.8
January	190.4	131.7	148.9	100.0	100.0	1,603	68.8
February	191.3	129.6	149.3	100.4	100.7	1,601	69.6
March	194.5	128.2	149.7	100.6	100.7	1,529	71.9
April	195.9	128.4	150.5	101.8	101.6	1,534	73.4
May	193.1	128.0	151.0	101.9	102.2	1,612	73.3
June	200.0	129.7	151.1	101.9	101.6	1,629	72.6
July	202.1	130.5	151.2	101.8	100.4	1,632	72.8
Aug.		131.5	151.6	102.1	100.7	1,655	72.3
Sept.						1,653	73.1

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

UK NEWS-PARLIAMENT AND POLITICS

PM urges more decisive US action on deficit

BY TOM LYNCH

MRS MARGARET THATCHER, the Prime Minister, yesterday urged President Reagan to take more radical action than previously envisaged to cut the US budget deficit.

Pressed by Mr Neil Kinnock, the Leader of the Opposition, at Question Time in the Commons to make "significant cuts" in interest rates on top of last week's "inconsequential" 0.5 per cent fall, the Prime Minister said "early and decisive action" to reduce the US budget deficit was "the most important single thing" for the return of stability.

This action should involve "measures which, both in scale and content go beyond what has previously been envisaged yet would do more than anything else to bring back confidence."

She stressed that the Government was prepared to co-operate with other countries, notably Japan and West Germany. She hinted that US action, with international co-operation and a decision on the BP sale, if they came together, would help facilitate a further cut in interest rates.

Mr Kinnock urged the Government to take immediate action on interest rates to help industry and calm the markets. He said the UK should not have to wait for confidence to return before implementing the interest rate cuts the economy needed.

He argued that a substantial cut in interest rates would also help President Reagan in his efforts to stabilise the deficit, aid competitiveness in Britain and cut costs for businesses and householders.

Mrs Thatcher acidly told him that interest rate decisions were not announced by the Prime Minister at Question Time in the Commons.

Mr Robert Maclennan, the SDP leader, asked the Prime Minister to encourage West Germany and Japan to relax their fiscal policies to help the US reduce its deficit.

Earlier, Mr Nigel Lawson, the Chancellor, had resisted comparisons between UK interest rates and the much lower rates in Japan and West Germany. Inflation in those countries was close to zero, he told MPs.

He rejected Labour contentions that industry was urging lower interest rates to protect the real economy. The CBI was "very content" with the Government's handling of the economy, he said.

Mr Chris Smith, a Labour Treasury spokesman, said interest rates had been "unprecedentedly high" under the current administration. "Now that you have abandoned the monetarism that was supposed to be the reason for that, stop dithering, cut interest rates to help industry and mortgage holders and help to calm the markets."

Mr Lawson said the Conservatives had inherited a 12 per cent base rate from Labour in 1979 - 2½ percentage points above current levels. He assured MPs: "I shall see to it that interest rates are at the level appropriate to the conditions."

However, he said the conditions which produced the last rise in interest rates - in early August - had now disappeared. "The rather frothy state of the financial markets has come to an end. There is now likely to be a dampening effect on economic activity, including credit activity."

Both the Prime Minister and the Chancellor appeared to adopt a more sceptical tone about the prospects for full British membership of the European Monetary System than has previously been the case.

Mr Nicholas Budgen (C, Wolverhampton South West) reminded Mrs Thatcher of her previous remarks that attempts by governments to control exchange rates were extremely expensive and ultimately impossible.

"That view has not changed," she told him. However, the Louvre accord "has been of very considerable value, especially in the last two weeks."

Mr Lawson said the EMS had helped its members retain stable exchange rates, but he praised the value of the Louvre accord, with its more broadly-based membership.



Margaret Thatcher responded to suggestion by Neil Kinnock on interest rate cuts

MPs in uproar over BP issue statement

BY IVOR OWEN

A REFUSAL by the Government to give a firm undertaking about the timing of the statement by Mr Nigel Lawson, the Chancellor of the Exchequer, on whether the £7.2bn BP share offer would be halted or allowed to proceed led to furious protests by Labour MPs in the Commons last night.

They turned their fire on Mr John Wakeham, the Leader of the House, when he declined to add to a message brought into the chamber by Mr David Hunt, the Government deputy Chief Whip, stating that the Chancellor was "working on the expectation of being able to make a statment at 10pm."

Mr John Smith, Labour's shadow Chancellor, accused Mr Wakeham of failing to act in his role as the minister responsible for taking account of the views of the whole House and not just MPs on the Government benches.

Mr Frank Dobson, shadow Leader of the House, asserted that the uncertainty over the timing of the statement arose not from the complexity of the issues involved but because of differences between Mr Lawson and Mrs Margaret Thatcher, the Prime Minister.

Despite the protests, which were supported by Mr Neil Kinnock, the Labour leader, Mr Wakeham refused to commit the Chancellor to making a statement at a specific time. Earlier Mr Lawson denied that there had been a "blazing row" between the Treasury and American interests.

The suggestion that there had been torrid transatlantic exchanges was made by Mr Brian Sedgemore (Lab, Hackney South and Shoreditch) who also referred to the BP affair having repercussions on Wall Street.

Mr Lawson followed up his denial of Treasury involvement in an angry altercation by emphasising that the "causation flows in the opposite direction".

He said it was not the BP flotation which had caused the Wall Street crash, but the slide which had occurred there that led to the "gross undersubscription" of the BP flotation.

Mr Lawson explained that he had been unable to report to the House on the outcome of the representations made by the UK underwriters to halt the BP offer at the customary time for major parliamentary statements - 3.30 in the afternoon - because of the elaborate consultation process.

He indicated that the Treasury and N M Rothschild and Sons, representing the UK underwriters, had been unable to agree and had made a joint approach to the Bank of England for its assessment.

Mr Lawson confirmed that he would take full account of the Bank's assessment before reaching his decision and announcing it later in the day.

Mr Smith, Labour's shadow Chancellor, said it was clear that the BP share sale had been a "total flop" under conditions which would be deeply damaging to its interests.

He contended that BP was now to be saddled with the "most unwilling holders of shares in financial history".

To Labour cheers, Mr Smith called for the abandonment of the BP sale, "not to excuse the underwriters but to protect the interests of Britain's greatest company".

Mr Gordon Brown, Labour's shadow Chief Secretary, claimed that the Government had wasted £20m in advertising BP shares - equivalent to £100 per successful applicant.

He also taunted Mr Norman Lamont, Financial Secretary to the Treasury, over his earlier forecasts that the BP flotation would constitute a major further contribution to extending share ownership in Britain.

Mr Lamont refused to make any apology for the cost of the advertising campaign which at the time had been a justified part of the Government's policy for spreading share ownership.

He insisted that wider share ownership was an admirable and laudable objective and said he was "extremely sad" that it had not been assisted by the BP sale.

Mr Neil Hamilton (C, Tatton) contrasted Labour's attitude to this latest instalment in the Government's privatisation programme with the complaints made about earlier flotations.

He asked if there had been any criticism from Labour MPs in regard to BP alleging that it was another attempt by the Government to "line the pockets" of its friends in the City.

Formation of key committees held up

By Michael Cassell, Political Correspondent

THE completion of the formation of House of Commons select committees for the new parliament is still being held up by arguments over membership of the Scottish affairs committee and the defence committee.

A meeting this week of the Committee of Selection, which is responsible for submitting proposed committee memberships to the Commons for approval, failed to reach agreement on the size and structure of the Scottish affairs committee.

With its Scottish representation in parliament down to 10 MPs, the Government is faced with the problem of retaining control of the committee. Of the 10, five are members of the Government and two MPs have said they do not want to join the committee, although they are still likely to be included.

The committee itself has already recommended that it be reduced from 13 members to 11 but the Government cannot retain a majority if the committee exceeds nine people. Labour whips suggested four Tory and four Labour MPs, with one seat offered to the Scottish National Party and the Liberals, a decision which would be certain to cause a row when MPs vote on the issue. Government whips are believed to be pressing for five Tory MPs, four Labour MPs and one seat for the minority parties.

In the Commons yesterday, Mr Alistair Darling, the Labour MP for Edinburgh Central, asked if the Government intended to see the Scottish affairs committee "drift into suspended animation". Mr John Wakeham, the Leader of the Commons, said he wanted the composition of all the select committees finalised as quickly as possible and the Committee of Selection would do so very shortly.

Membership of the important defence committee is also still creating difficulties, given the decision by Labour whips to exclude Dr John Gilbert because of his criticism of the party's defence policy.

Lamont lauds £7.7bn surplus

By Tom Lynch

THE UK had a £7.7bn surplus in trade in services in the 12 months to the middle of this year - a larger surplus on invisibles than any other nation in the world, Mr Norman Lamont, the Financial Secretary to the Treasury, told the Commons at Question Time yesterday.

He said 2m people were now employed in financial services and 1.5m in hotels and catering, making a total contribution of those two sectors of 15 per cent of jobs in the economy.

Race is on again in Smith Square

THE CHAIRMANSHIP of the Conservative Party is now back in the melting pot with no early decision expected about who will succeed Mr Norman Tebbit following the surprise withdrawal from consideration of Lord Young, the Trade and Industry Secretary.

An announcement had been expected later today and there was some confusion yesterday after Mrs Thatcher's original preference had been blocked by a powerful group of senior ministers objecting to Lord Young holding two posts at the same time.

Mrs Thatcher brushed aside a question in the Commons yesterday from Mr David Winnick, the Labour MP for Walsall North, who suggested that Mr Michael Heseltine, the former Defence Secretary, should assume the chairmanship. By chance Mr Heseltine was standing at the bar of the House talking to Mr Tebbit.

There is no immediate hurry about replacing Mr Tebbit, though he has made known he wants to give up the post before long after taking up a number of non-executive directorships.

Wednesday's surprise withdrawal of Lord Young (right) who was favoured to take up the post of Conservative Party chairman has left the field wide open. PETER RIDDELL considers who might be in line for the post held by the departing Norman Tebbit

The Prime Minister has a choice. She could pick a Cabinet member like Mr George Younger, the Defence Secretary, or Mr Norman Fowler, the Employment Secretary (with no obvious conflict of interest in either case), or she could go beyond the Cabinet to select someone for the next two years before a more senior figure is appointed in the run-up to the general election.

Opinions are divided about whether the chairman needs to be a Cabinet minister at this stage, especially as a strong chief executive or general manager is expected to be appointed to implement the detailed reorganisation of Conservative Central Office proposed by Mr Tebbit.

Ministers and Tory backbenchers yesterday all had their favourite candidates, including Mr Peter Brooke, the Paymaster General from the Treasury, Mr David Hunt, the deputy Chief Whip and a former vice-chairman of the party, and Mr John Cope, an employment minister and former deputy Chief Whip.

However, sceptics were pointing to the experience of Mr John Gummer, who served as chairman and as an Employment Minister of State from 1983 to 1985. He was seen as both being too busy with two jobs and having insufficient political weight for the chairmanship.

Lord Young's decision to withdraw followed a series of meetings earlier this week at which a number of suggestions were made, and apparently rejected by him, including hiving off responsibility for regulating the City and mergers policy to Mr Kenneth Clarke, the Chancellor of the Duchy of Lancaster and Industry Minister in the Cabinet.

The whole episode has created public ill-feeling

Gould cautions on threat of recession

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

ACTION to cut the US budget deficit too rapidly would provoke an international recession and herald the return of "the grim days when monetarism ruled the world", Mr Bryan Gould, Labour's trade and industry spokesman, warned last night.

Speaking in Wigan, Mr Gould claimed that it was not the recent turmoil in world stock markets which would lead to a recession but governments which acted, as monetarist precepts would dictate, to reinforce financial orthodoxy.

He said that concentration on the US budget deficit was an "irrelevance" and that the real imbalance in the world economy was between the surplus nations, like Japan and West Germany, and those like the US and Britain which had used high interest rates to prop up their currencies.

Mr Gould said that a reduction in interest rates and exchange rates for the deficit countries now had to be the focus of co-ordinated, international activity. Interest rates in the US should be cut so that the dollar falls and Britain could follow.

He claimed Britain's principal economic problem stemmed from the divergence between the fortunes of the real economy and that of the financial world in the City. While the stock market had continued to climb, the Government had blithely ignored the falls in manufacturing output, manufacturing investment, employment and a deteriorating trade position. Sooner or later, he added, the disparity between the real economy and the money economy was bound to tell.

Of royal heiresses and strange attire...

THE SLIDE on the stock markets and the state of the BP share issue continued to dominate the House of Commons yesterday as they have done all week. But some of the more *outre* characters on both sides of the House were reverting to their old antics.

Tory backbencher Geoffrey Dickens was the first to step into the limelight in what Labour MP Dennis Skinner sometimes refers to as "t' Westminster music hall".

Commending the Government on controlling emissions from power stations and lead in petrol, he urged ministers to seize the opportunity to cap their programme by privatising fresh air.

Mr Norman Lamont, Financial Secretary to the Treasury, congratulated him for his enthusiasm but admitted that even under Maggie's radical policies this would take a little consideration.

During Prime Minister's questions Labour's indefatigable David Winnick raised the controversy over the Conservative Party chairmanship. Now that Lord Young is not to take over the post from Norman Tebbit the question of the succession is the main topic among Westminster gossips.

In view of the difficulties Mr Winnick suggested that the Prime Minister's "old mate", Michael Heseltine, who walked out of her Cabinet as Defence Secretary, might be a suitable candidate. Certainly he was very keen and anxious for the job, according to Winnick.

At that very moment Mr Heseltine was standing at the bar of the House deep in conversation with Mr Tebbit. He blushed in confusion but shook his head in disavowal of any such lofty ambitions.

Mrs Thatcher assured MPs that at least she would not follow the example of Labour leader Neil Kinnock by taking the party chairmanship for herself.

Later Mr Kinnock needled John Wakeham, the Leader of the House, by suggesting that he should apply for the job. Mr Wakeham, who was one of those who opposed the post

going to Lord Young, mumbled that he was quite content with his present position.

Meanwhile a scattering of Labour members had infiltrated the chamber wearing colourful African National Congress T-shirts which drew a tart rebuke from the Speaker, Bernard Weatherill, about MPs appearing in "fancy dress".

Eventually that well-known Labour freedom fighter, Tony Banks, former chairman of the Greater London Council, rose to explain the significance.

He earned a severe lecture from Mr Weatherill who said that Mr Banks would not have approved of such attire when he was a respected member of the GLC.

With some dignity Banks explained that he and his colleagues were engaged in a perfectly peaceful demonstration in protest at Mrs Thatcher's description of the ANC as a terrorist organisation during the Commonwealth heads of government meeting in Vancouver. He added some characteristic cheek by observing that the Speaker looked pretty fetching himself in his wig and gown.

It was left to that Tory individualist Tony Marlow to create one of the biggest furores of the day when, without warning, he suddenly rose to suggest that it was a bit strange that in our modern society the succession to the throne should go to the eldest male heir "rather than the most suitable heir."

Was he really implying that Princess Anne would make a more suitable monarch than Prince Charles? We shall never know as his question brought howls of outrage and the Speaker immediately silenced him. "Chop 'im. Put 'im in the Tower," roared Labour's Andrew Faulds suddenly emerging as a fervent Royalist.

JOHN HUNT

UK APPOINTMENTS

Executive changes at the Halifax

HALIFAX BUILDING SOCIETY has appointed Mr Geoff Jackson as general manager, designate, field operations, from November 1. He is regional general manager, Greater London, and will succeed Mr Alan Greenhalgh who retires on February 1. Mr Malcolm Wykes becomes regional general manager, Greater London, from November 1. He is divisional manager, personnel, at head office. Mr Tom Taylor is made regional general manager, north west, from January 1. He is divisional manager, housing and lending, at head office, and succeeds Mr Ted Cooke, who is retiring. Mr Andrew Keates has been appointed regional general manager, South Wales and west, from January 1. He is regional operations controller, Greater London, and succeeds Mr Derek Walker who is retiring.

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Mr Stephen Hartley, formerly divisional director of Extel Financial, has joined IFR PUBLISHING, part of the International Thomson Organisation, as managing director.

*

CARADON CELUFORM has appointed Mr Michael Tanner as manufacturing director, a newly created post. He was works manager.

*

ELLIS & GOLDSTEIN (HOLDINGS) has appointed Mr Peter H. Grinyer, Esmee Fairbairn Professor of Economics (finance and investment) and chairman of the department of management at St. Andrews University, and Mr David B. Hewitt, chairman of Comet Group, as non-executive directors.

*

Mr Peter John Garner and Dr Josef Schiffarth have been appointed to the board of FOSECO MINSEP. Mr Garner has responsibilities for group operations in India, the Far East and Australasia; Dr Schiffarth has similar responsibilities in continental Europe. Dr David Sheridan Belford has resigned to pursue other interests.

*

Mr Clive Dolan, until recently director of strategic planning for Plessey Electronic Systems, has been appointed marketing director of PLESSEY RADAR.

*

MASTIFF ELECTRONIC SYSTEMS has appointed Mr Patrick McGhee as a non-executive director. He is managing director of Turret Alloys and chairman of Cranebell.

*

Lord Crickhowell (formerly Mr Nicholas Edwards, Secretary of State for Wales) is the new president of the ASSOCIATION OF MANUFACTURERS OF DOMESTIC ELECTRICAL APPLIANCES in succession to Lord Plowden who has retired.

*

Mr M.F Dobbs, Mr A.J. Hudson, Mr R.A. Mountford, Mr A.W. Rose, Mr J.A. Treiane and Mr P.H. Wolten have been appointed assistant directors of SCHRODER INVESTMENT MANAGEMENT.

*

Mr Dick Steele has been appointed finance director of MIDSUMMER LEISURE. He was financial controller of Next.

*

Mr D.J. Cooper, Mr J.P.I. Duncanson, Mr S.G. Hayday, Mr R.P.J. Lacy, Mr J.M. Prince and Mr R.J. Verner-Jeffreys have been appointed directors of C.T. BOWRING REINSURANCE.

*

Mr Malcolm Cox has been appointed to the board of JAMES NEILL HOLDINGS. He is sales and marketing director of Neill Tools, main UK operating subsidiary.

*

SALOMON BROTHERS INTERNATIONAL has appointed Mr Nicholas Garrow as head of European mergers and acquisitions, based in London. He joins as a director and will become a managing director of Salomon Brothers in January. He was a director with Morgan Grenfell specialising in merger and acquisition activity.

*

Mr Peter Erskine Cook has joined the property division board of the CARROLL GROUP. He was with the Property Services Agency.

*

Mr Ron Walton and Mr Rob Murison have been appointed joint managing directors of JOHN CHARCOL. They were directors.

*

Mr Roy Amos, a non-executive director of MANDERS (HOLDINGS), has been appointed chairman to succeed Mr Sam Wainwright, who is retiring as is Mr Ron Marler, a non-executive director. Mr Roger Akers, chief executive trading operations, has been appointed group chief executive. Mr Peter Winfield, property consultant, and Mr Alan Dick have been appointed non-executive directors. Mr Amos is an executive director of IMI and Mr Winfield is senior partner of Healey & Baker. Mr. Dick was a director of Foseco Minsep.

*

Mr David Calverley has been appointed deputy chairman of IDEAL HOMES HOLDINGS, part of Trafalgar House Group. Mr John Burton and Mr John Low as joint managing directors, with Mr Burton responsible for the area inside the M25, and Mr Low for the rest of the country.

*

Mr Bryan Bowesman has ben appointed managing director of the DANISH DAIRY BOARD in the UK. Formerly national accounts controller, he succeeds Mr John Svenssen who is returning to Denmark to become managing director of Master Games 1989.

*

Mr Philip Judkins, managing director of group management services, has joined the board of PROVINCIAL INSURANCE. Mr Philip Hoyle, company secretary, also joins the board. Mr Hoyle remains company secretary of Provincial Group. He is replaced as company secretary of Provincial Insurance by Mr Graham Whitwham.

*

Mr Colin Lillywhite, managing director of Qume UK, has been appointed European vice-president of the QUME CORPORATION.

*

Mr Paul Leggett, area manager for Scotland, has been appointed to the board of SIR ROBERT MCALPINE from November 1.

*

THE CHASE MANHATTAN BANK has appointed Mr Chris J. Mation, senior vice president, as UK country manager. He was the bank's country manager in Hong Kong. The Chase Manhattan Corporation has appointed Mr Dennis C. Longwell, senior vice president, as area executive for Europe, Africa and the Middle East.

CONTRACTS

£28m orders for Haden

HADEN GROUP has secured orders worth over £28m. These include a complete paint shop for the Beijing Jeep Corporation in China, at over £4m, and a two-bay painting facility for British Aerospace, claimed to be the largest and most complex of its type in the world.

The company has contracts worth more than £4m with Nissan U.K. for the second phase plant expansion at Washington, Co. Durham, including spray booths and compressors.

At the British Library project in London Haden is supplying a computer controlled book handling system costing over £2.5m.

*

HAWKER SIDDELEY, Chippenham, a subsidiary of Westinghouse Signals, has been awarded a signalling equipment contract by British Rail worth £1m. Under the contract the company will supply, install and test solid state interlocking equipment for the resignalling of the area from London's Liverpool Street Station to Bethanl Green. The project is due for completion in May 1989.

*

PORTAKABIN has won an order worth £1.5m for the headquarters building to accommodate the management team engaged on the construction of the Channel Tunnel. The order is for a two-storey building of 4,800 sq.metre floor area, to accommodate 275 people. Preparation of the site at Folkestone begins shortly, followed by delivery of the duplex modules to Transmanche Link, the tunnel contractors, during December and January. The entire building will be complete, occupied and functioning by March 1988.

*

WHATLINGS GROUP, Glasgow, part of Alfred McAlpine Construction, has won three contracts worth a total of almost £1.5m. The largest is for 20 retirement homes at Comiston Road, Edinburgh, for Lothian Homes. Worth over £605,000, work will be completed by autumn next year. Extensions and fitting out a factory at Oldhall, Irvine, for Irvine Development Corporation, will be completed in four months (£423,000). The Salutation Hotel, Perth, is being refurbished for the Embassy Hotel Group (£387,000).

The company also has projects in the West Midlands for South Birmingham Health Authority, Dudley Health Authority, Central Midlands Co-operative Society and the Severn Trent Water Authority.

*

System builder WYSEPLAN has won a contract to supply permanent accommodation for BBC personnel based on a remote island close to the Equator in the South Atlantic Ocean.

The company will provide two hostels, five bungalows and an office complex for on Ascension Island for BBC personnel who will be manning a transmitting station which is to be extended next year.

Before the 60 BBC staff, their families and Ascension Island Services staff move in, the accommodation will house the contractors who are extending the transmitting station.

MANAGEMENT

British and Commonwealth and commodity trading

When copper bottoms out

Clive Wolman describes the result of a UK conglomerate entering unfamiliar territory

SEVEN MONTHS ago saw the first anniversary of a move by Kaines to build from scratch one of the largest commodity trading companies in the world - an unprecedented venture.

Kaines was set up with the backing of John Gunn, one of the City's most successful entrepreneurs, and his British and Commonwealth Holdings conglomerate which provided $60m of capital. The Kaines directors and senior traders spoke of becoming a third force in the commodities world, behind only the two giants, Phillip Brothers and Marc Rich.

But in the space of a few days last spring, their ambitions were swept away, along with many of their jobs, as a result of a price movement in a single base metal. Over the last four months, the management has laid off staff as rapidly as they had been recruited, it has abandoned many areas of trading and been told by B and C to cut overheads by nearly two-thirds.

The rise and fall of Kaines, which insiders estimate has cost B and C between $40m and $50m, illustrates the difficulties of controlling trading risks, even with an elaborate system, when the wrong personalities are in the wrong places. It also highlights the pitfalls for a conglomerate moving into businesses of which it has no direct experience even when it believes it is backing a high calibre management team.

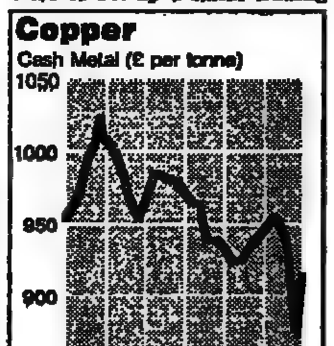
As Gunn admits, the experience of Kaines was one of the factors behind B and C's decision to move away from all trading and principal-risk activities and focus on agency businesses, mainly in financial services. Its intention now is to reclassify Kaines as a venture capital investment and reduce its stake from 61 to about 20 per cent by finding another shareholder with experience in commodities.

According to Nigel Cobby, a stockbroking analyst with Morgan Stanley who has followed Kaines: "John Gunn has a history of backing bright managers and letting them get on with it. He believed that he could go against conventional thinking and make money out of commodities. This is really the first time he has got it wrong."

Kaines was set up by three former managers of the US-based Phillip Brothers, all in their forties, who left in 1984-85 during a period of large-scale cutbacks and redundancies.

These were Julian Lee, a former tax accountant who became the chief operating officer of Phillip Brothers in London, Gerard de la Vallee Poussin, whose background was in oil trading and mining in Africa, and Derek Roy, who had been running Phillip Brothers' Tokyo office.

Lee had had a long association with John Gunn and told him of their plans while Gunn was still running Exco, the UK money-broking firm. When Gunn joined British and Commonwealth in November 1985, he immediately persuaded the board to back Lee and his colleagues. Their original plans were to set up a small trading operation, with less than 10 staff, similar to many of the other commodity firms in London.



But with Gunn's encouragement, their plans were transformed into something much grander. B and C supplied $40m of capital in return for a 61 per cent stake. The three men, who had control of the remaining shares, planned to build up an operation of 100 dealers and support staff by the end of 1986. Instead of the small backroom originally envisaged, the firm occupied two spacious floors of a luxury office block in Pall Mall.

Kaines's strategy was not to engage in high-volume screen-based trading in the commodity futures and options market but to concentrate on financing and transporting physical commodities, particularly in regions such as West Africa, which were overlooked by many traders. The futures markets would be used only to hedge risks.

De la Vallee Poussin took charge of the oil and petroleum products operations while Roy was responsible for metals and "soft" (agricultural) commodities. Meanwhile, Lee devised an elaborate system of financial controls which produced regular computer print-outs. According to one former employee: "I have never seen so much paper come out of a system in a company. But whether anyone understood what was on it is another matter."

Once trading began in May 1986, the firm grew even more rapidly than the revised plans envisaged. Lee persuaded B and C to put up another $20m which was used to set up a forfaiting (trade credit) operation. By early this year, Kaines had a staff of nearly 170 with small offices in Switzerland, the US, Japan and Singapore.

In January, Gunn promoted Lee to the position of joint managing director of B and C, removing him from day-to-day responsibility for Kaines, just as its rapid expansion was creating strains both financially and on the trading floor. But by May Lee had become seriously ill.

Most of the difficulties were in Derek Roy's metals and softs department. To recruit a large team of experienced commodity traders from a limited pool, Roy had to offer salaries well above the market rates. Even some of the administrators and representatives in the small overseas offices were paid six-figure sums.

One of the metals traders says: "I had always worked for commodity companies which were run on a shoestring. But here they seemed to have vast resources. The banks would telephone to offer us $100m lines of credit. And people were being paid much more than they ever earned before. I think that some of them got carried away and became overconfident."

As the overheads rose to more than £20m on an annualised basis, and the pressure mounted to generate revenue, Kaines lurched into more and more commodities and trading activities.

A lot of the traders' time was consumed in arranging small contracts for moving physical commodities from which the revenue was too small to cover the administrative costs. The temptations to take riskier positions in the futures markets by screen trading also increased. But according to Roy: "Kaines had to win its spurs by performing a lot of physical trades, whatever we were offered."

Cobby, who at the start of the year predicted that Kaines would achieve pre-tax profits of £20m by 1988, says: "They were hoping to use the small deal to cultivate relationships that would lead to a few mega-deals that would bring in the profits. So far this has not happened."

In the early stages, Roy's enthusiasm was infectious and he was popular among his staff. But as the pressures on him grew, he began to lose touch. According to one former softs trader: "Roy started by saying Kaines would be different from Phillip Brothers: management by co-operation and not confrontation. But it gradually became a one-man operation. It grew too quickly and he lost control of his own creation. The whole thing crumbled in six months."

Other employees say that because Roy would not delegate sufficient responsibility, he was overburdened with work. The head of a rival commodities firm describes Roy as a man of great energy and charm who enjoyed a high reputation at Phillip Brothers. "He was a great entertainer and a team leader," he says, "but he lacked the ability to manage Kaines. He should have been president of a rugby club."

Roy says: "Most people in our industry are workaholics and I do not exclude myself." Some strategic and recruiting errors were inevitable, he says. A zinc trader was hired from Sweden and relocated in London at considerable expense. But within a few weeks the zinc division was closed down and the trader dismissed. There was a similar U-turn and closure of the steel division.

As morale sagged, communication between the different departments on the trading floor dried up and traders stopped talking about their positions and views on the markets to colleagues. "Nobody was overseeing the business as a whole. People started doing their own thing," one trader says.

The lack of critical evaluation was reinforced by a feeling that the accounting staff were not keeping up with all the increasing activities and risks. But a review by the accountancy firm Arthur Andersen in February and March, which was ordered by the main B and C board, uncovered no major flaws in the financial controls.

However, the review did not take account of the key personalities. Roy's most fateful recruiting decision was to employ the veteran trader, Ron Adams, as head of the metal options desk. By replacing a retired colonel as a floor member of the London Metal Exchange in 1963, Adams became one of the first of the new generation of East End working-class traders in the City's financial markets. His speed of response, biting sarcasm, and colourful language made him something of a legendary figure at the LME.


John Gunn: his B and C conglomerate put up $60m of capital

However, in the mid-1970s, he resigned as a director of Gerald Metals to join his family's printing and property business after falling out with Ralph Kestenbaum, Gerald's managing director. "Ron was one of our best traders but very difficult to discipline," says Kestenbaum. "He could talk you into a paper bag and out again. In the end he had to make a choice between accepting our management controls or leaving."

In 1985 Adams was drawn back again into the commodities markets and a year later he was recruited by Roy. In April 1986, Adams became convinced that copper was going to continue trading in the same price band as in the previous three years.

He began selling call options to traders to allow them to buy Kaines' stock of copper at a fixed price. A brief rise and fall in the copper price reinforced his belief and he began selling in unprecedented volumes "naked" options to buy copper which Kaines did not have the stock to supply.

A price rise would therefore force it to buy the copper in the open market and then sell it at the option price at a loss. Neither Roy, whose experience was as a manager rather than a trader, nor anyone else showed much understanding of the risks now being taken. No one dared to challenge Adams.

"It all happened so suddenly," says another metal trader. "One morning Adams was boasting as usual about how much money he was making by selling the options. The next day, the whispers started, and they kept holding crisis meetings."

As the copper price rose in fits and starts during May the traders held on, hoping that it would fall again. But the trend was up - and so were Kaines's losses. By early June, the losses had reached over $20m and Roy and Adams had no alternative but to tell John Gunn that the company's capital had been haemorrhaging.

"The trouble was that when copper broke out of its trading range, they failed to analyse the impact," says Gunn. "They just sat there like rabbits frozen in front of the headlights." Gunn moved in and unwound Kaines' exposure in an attempt to stop any further losses. Within a few weeks, both Roy and Adams departed. So, too, did the traders from several other loss-making divisions such as raw sugar, lead and tin. There was a general attack on all overheads from insurance to overseas travel and the staff numbers have been cut back to 125.

Gerard de la Vallee Poussin, who had been running the oil trading department with moderate success, was placed in charge of the whole operation. Most of his colleagues, present and past, praise his management skills. He has cut out a lot of the original, unprofitable business and refocussed on just a few areas. He says that Kaines had always been given three years to establish itself and that he expects to be trading profitably and covering overheads by next year.

Discrimination

The pervasive barrier of age

Confining jobs to the under-40s is particularly prevalent in Britain, Michael Skapinker reports

"WE WELCOME applications from men and women, regardless of disability, race or marital status," runs the advertisement for a position in a British polytechnic's department of geography.

The polytechnic makes no mention of its attitude towards another group of citizens who face persistent discrimination in the job market: those over the age of 40.

Peter Naylor, a consultant with an organisation called Careering Organisation Counsellors, spent almost a year monitoring the extent to which employers restrict jobs to applicants of a certain age.

He looked at 4,550 job advertisements in the Sunday Times and in the publication Personnel Management during the period from October 1986 to August 1987. He presented his findings to the national conference of the Institute of Personnel Management in Harrogate last week.

Naylor found that nearly a third of the advertisements in Personnel Management demanded that applicants be within a certain age range. So did 41 per cent of the advertisements in the Sunday Times.

Nearly two thirds of the advertisements which mentioned age said that applicants should be between 30 and 40. To many employers, Naylor said, the 30s are an employee's "golden decade". Anyone older need not apply.

He quoted from a previous study by MSL International which said that "unless in very senior positions or with highly marketable skills, an increasing number of executives in the mid-forties and fifties are finding it increasingly difficult to change jobs and have very little training invested in them."

Discrimination against the over-forties is particularly strong in Britain, Naylor told the conference. Top jobs in Germany are seldom filled by those under 40. Employers in the United States, Canada and France are prevented by law from mentioning age in their job advertising.

Banning any reference to age does not, of course, mean that employers do not retain their prejudices against the over-forties. A study in the United States found that employers thought it was more difficult to change the behaviour of older members of staff. They also thought older employees were less likely to want to be retrained.

Other generalisations about the over-forties abound, Naylor said. "They are stubborn, they do not learn. They are lazy, thick, resist change and are slow thinkers and doers."

It is probably true that some older employees are resistant to change, he says. But not all of them are. "Some distinguish themselves by the way in which they maintain the performance of their younger days," he said.

Accidents

Even where the stereotypes do apply, there are ways in which employees over 40 perform better than their younger colleagues. The over-forties "have better attendance records, fewer on-the-job accidents, are more satisfied with their jobs and less likely to leave them," Naylor said.

In any case, the range of abilities among employees both under and over the age of 40 is so wide that companies which attempt to establish an arbitrary cut-off point might be depriving themselves of talented staff. This is particularly true of companies which, faced with hundreds of applications for a post, exclude the over-forties as a convenient first step.

Naylor asked whether the law offered any hope for the over-forties. "Not in the UK, it would appear. In 1983 a private member's bill on age discrimination failed. Last year a similar fate befell a bill sponsored by Ann Clwyd MP."

On the other hand, there is nothing to stop companies reviewing their own personnel practices, he said. Objective assessment methods can be used to evaluate whether or not a particular applicant, regardless of age, is the best person for the job.

"The persistence of stereotypes and generalisations reinforce their believability," Naylor said. "Beliefs become enshrined as received wisdom. This leads to self-fulfilling prophesies. It is a cycle that needs to be broken."

Arts Week

F	S	Su	M	Tu	W	Th
30	31	1	2	3	4	5

Music

LONDON

Melos Quartet: Beethoven. Wigmore Hall (Tue). (935 2141).

Dowland Consort directed by Jakob Lindberg. Dowland, Byrd and others. Wigmore Hall (Wed).

Royal Philharmonic Orchestra conducted by James Judd with Christian Blackshaw, piano. Rossini, Handel, Rachmaninov, and Dvorak. Barbican Hall (Wed) (638 8891).

Melos Quartet: Beethoven. Wigmore Hall (Thur).

PARIS

Jose Van Dam: Schubert, Brahms, Wolf, Jean-Claude van den Eynden, piano (Mon). Theatre de L'Athenee (47426727).

Leipzig's Orchestra Gewandhaus conducted by Kurt Masur: Schubert's unfinished, Bruckner (Mon) TMP-Chatelet (42334444).

Orchestre de Paris conducted by Daniel Barenboim, Radu Lupu, piano, Orchestre de Paris' choir conducted by Arthur Oldham: Beethoven, Schumann, Stravinsky (Wed, Thur) Salle Pleyel (45630796).

Orchestre National de France conducted by Georges Pretre: Respighi, Roussel, Stravinsky (Thur) Theatre de Champs Elysees (47203637).

Paris Jazz Festival (47832358) opens with the celebration of Stephane Grappelli's 80th birthday by his disciples and admirers and continues with spicy melodies of the Lady of Bresil and the acrobatic trumpetist Arturo Sandoval at the TMP. Jean Luc Ponty's quintet is accompanied by the National Jazz Orchestra at the Zenith and by Ornette Colman's quartet with the leaders at the Grand Rex. Theatre de la Ville throbs with the Paul Bley quartet, a trio and the Big Band Lumiere with Gil Evans and carries on the next day with the New Portal Unit and later on in the evening with Daniel Humair All Stars and the newly-discovered American pianist Geri Allen.

NETHERLANDS

Amsterdam Concertgebouw. The Netherlands Philharmonic under Ronald Kieft, with Christian Zacharias, piano: Beethoven (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, with Shlomo Mintz, violin: Wageneer, Bartok, Schumann (Wed, Thu).

Utrecht Vredenburg. Riccardo Chailly conducting the Concertgebouw Orchestra, with Ronald Brautigan, piano, and Peter Masseurs, trumpet: Shostakovich, Tchaikovsky (Mon). The Netherlands Philharmonic under Ronald Kieft, with Christian Zacharias, piano: Beethoven (Wed). (55 88 00).

Rotterdam Doelen. The Groot Rotterdam Choir and soloists in an evening of opera and operetta (Tue). Recital Hall: The Fine Arts Quartet: Haydn, Kreisler, Mendelssohn (Tue). (413 24 90).

Scheveningen Circus Theatre. Extra performances of Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Viotta Ensemble under Wim Bredenhorst (Wed). (55 88 00).

NEW YORK

Carnegie Hall: St Paul Chamber Orchestra and Guarneri Quartet. Pinchas Zukerman conducting. Spohr, Neikrug, Elgar, Beethoven (Mon); Emily Ameling soprano recital. Mixed programme (Thur). (247 7800).

Merkin Hall (Goodman House): June Murano & John Forconi duo-piano recital. Bach, Mozart, Gershwin (Tues 2pm). 67th W of Broadway (362 8603).

Kaufmann Hall: Musical Elements. Gruber, Cummings, Del Tredeici (Tue); Pierre Amoyal violin recital. Faure, Ravel (Wed). 1395 Lexington Av (831 0505).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Mozart, Stravinsky (Tue); Eric Leinsdorf conducting, Nathan Milstein violin. All-Beethoven programme (Wed); Eric Leinsdorf conducting. Lorne Munroe 'cello. Britten, Walton, Debussy (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruhbeck de Burgos conducting, Joshua Bell violin.

Tchaikovsky, Respighi (Tue); Rafael Fruhbeck de Burgos conducting, Janice Taylor mezzo-soprano with Choral Arts Society of Washington directed by Norman Scribner. All-Brahms programme (Thur).

Kennedy Center (254 3776)

CHICAGO

Chicago Pro Musica Chamber Music Series (Orchestra Hall): Poulenc, W. Neil, Warese, E. Carter, Bernstein/Bergler (Tue, 3.45 pm). (435 8111)

Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting. Christopher Parkening guitar; Michael Murray organ. Haydn, Rodrigo, Saint-Saens (Thur).

(435 8111)

TOKYO

Orchestre de Chambre Jean-Francois Paillard, conducted by Jean-Francois Paillard with Kazuhito Yamashita, guitar. J.S. Bach, Handel, Roderiguez. Suntory Hall. (Mon) (237 9990).

Frankfurt Radio Symphony Orchestra, conductor, Eliahu Inbal. Mozart, Haffner, Mahler. Suntory Hall. (Tues). (237 9990).

I Musici Ensemble. Respighi, Mozart, Vivaldi Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Tues) (403 3011).

Alban Berg Quartet. All-Beethoven programme. Suntory Hall. (Thurs) (505 1010).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: final performances of the new Nozze di Figaro, conducted by Bernard Haitink, produced by Johannes Schaaf, with a first-rate cast including Claudio Desderi, Thomas Allen, Karita Mattila, Marie McLaughlin and Sarah Walker (240 1066).

English National Opera, Coliseum: One of the company's biggest hits of recent years, Jonathan Miller's updated mafia-style Rigoletto returns with John Rawnsley, David Rendall and Anne Dawson in the cast and Paul Daniel as conductor. Further performances of the musically excellent, dramatically rather weak new production of The Pearl Fishers and of the striking Werther with Arthur Davies and Ann Murray conducted by Mark Elder (836 3161).

PARIS

Spectacle Group (Groupe de Recherche Choreographique de l'Opera de Paris) choreographed by Ulysses Dove, Francois Verret and Carolyne Carlson at the Opera Comique (42960611).

London Festival Ballet with Eugene Onegin, choreographed by John Cranko with Natalia Makarova and Peter Schaufuss. Theatre des Champs Elysees (47203637).

WEST GERMANY

Berlin, Deutsche Oper: A guest performance by the Alvin Ailey American Dance Theatre. Also a guest performance by the London Royal Ballet Covent Garden with Stravinsky's Firebird/Scenes de Ballet/The Rite of Spring, choreographed by Mikhail Fokine, Frederick Ashton and Kenneth MacMillan (3 43 81).

Hamburg, Staatsoper: La Boheme features Julia Cornwell, Rachel Joselson and Francois le Roux. Ariadne auf Naxos is conducted by Klauspeter Seibel and has Hildegard Hartwig, Gertrud Hoffstedt, Judith Bockmann and Toni Blankenheim in the main parts. Heseon Kwon, Helen Donath, Yoko Kawahara and Harald Stamm star in The Magic Flute. Die Entfuehrung aus dem Serail is also in the repertory and The Nutcracker, choreographed by John Neumein is revived with Jessica Funt, Bettina Deckmann, Jeffrey Kirk and Gabriel Manfardini (35 11 51).

Frankfurt, Opera: The Frankfurt Opera under its new director Gary Bertini opens the new season with two operas by Christoph Willibald Gluck, Iphigenie in Aulis and Iphigenie auf Tauris. They will be the first productions in Germany of Greek producer Michael Cacoyannis, famous for the film Zorba the Greek. The sets are by Dionisis Fotopoulos, the conductor Gary Bertini. The cast includes Clarry Bartha and Gabriele Maria Ronge, both new to their roles; John Broecheler, Marjana Lipovsek, Curtis Rayam and Vladimir de Kanal.

Cologne, Opera: Pique Dame, produced by Rudolf Noelte will have its premiere this week with the cast led by Martha Modl. Nadine Secunde and Josef Protschka make their debut as Lisa and Hermann. Dimitrij Kitajenko conducts for the first time in Cologne. Der Barbier von Seville rounds off the week (2 07 61).

Stuttgart, Wuerttembergisches Staatstheater: Die Entfuehrung aus dem Serail, produced by Niels-Peter Rudolph will have its premiere this week. The cast brings Kristina Laki, Yasuko Kazaki, Uwe Heilmann and Helmut Berger-Tuna together (2 03 21).

NEW YORK

Metropolitan Opera (Opera House): The first seasonal performance of Franco Zeffirelli's production of La Boheme conducted by Julius Rudel highlights the week with Roberta Alexander and Brian Schexnayder. Continuing are Otto Schenk's production of Die Walkure, conducted by James Levine with Hildegard Behrens, Timothy Jenkins and Hans Sotin; and Franco Zeffirelli's production of Tosca, conducted by Christian Badea with Eva Marton, Sherrill Milnes and Italo Tajo. Lincoln Center (362 6000).

New York City Opera: The week features Jack Hofsis's production of The Student Prince conducted by Paul Gemignani, with Leigh Munro, Dominic Cossa and Jon Garrison in the title role. Performances include Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corsaro's production, along with Turandot. Lincoln Center (870 5570).

Joffrey Ballet (City Center): The month-long schedule has three premieres, including a Robert Joffrey Nutcracker, Nijinsky's Le Sacre de Printemps and Three Preludes by Ben Stevenson set to Rachmaninov, along with Frederick Ashton's La Fille Mal Gardee and nearly 24 repertory favourites. Ends Nov 22. 55th E. of 7th Av. (247 0430).

Ballet Dance Theatre (Joyce): Garth Fagan's modern company, with African and Caribbean flavours, premiere Passion Distanced and Traipsing through the May. 175 8th Av at 19th St (242 0800).

TOKYO

Deutsche Opera Berlin: Siegfried from Wagner's Ring, director Gotz Friedrich, orchestra conducted by Jesus Lopez Cobos. Soloists include Robert Hale, Horst Hiestermann, Gottfried Hornik, Daniela Bechly, Catarina Ligendza, Jadwiga Rappe. Tokyo Bunka Kaikan (Wed) (725 8888).

San Francisco Ballet: works include The Dreamer, choreographed by Jerome Robbins; Concerto in D, Poulenc, choreographed by artistic director Helgi Tomasson; Theme and Variations, choreographed by George Balanchine. Tokyo City Philharmonic Orchestra conducted by Denis de Coteau. Tokyo Kosei Nenkin Kaikan (Mon, Tues, Wed) (573 3588).

Theatre

LONDON

Separation (Hampstead): Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production. (01-722 9301)

The Rover (Mermaid): Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. Plays in repertoire with the Chernobyl play, Sarcophagus, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (01-236 5568/01-638 8891).

A Man For All Seasons (Savoy): Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren (01-836 8888).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (01-928 2252)

The Phantom of the Opera (Her Majesty's): Spectacular and emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (01-839 2244, CC 01-379 6131/240 7200)

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (01-628 8795)

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (01-379 5399)

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, elusively directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings; not vintage Gray. (01-930 9832)

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (01-836 3028, CC 01-379 6565)

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (01-928 2252).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (212-221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (212-239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (212-977 9020).

A Chorus Line (Shubert): The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (212-239 6200)

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (212-757 2626)

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (212-239 6200)

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (212-239 6200)

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (212-586 6510)

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, forgettable songs and dated leadenness in a stage full of characters make this is no classic. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (212-947 0033).

The Mahabharata (BAM Majestic): Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends January 3. (212-947 5850)

Joe Turner's Come and Gone (Kreeger/Arena): Tony Award-winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends November 22. (212-488 3300)

All the King's Men (Arena): Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression. Music by Randy Newman. Ends November 22. (212-488 3300)

TOKYO

Les Miserables. After London and New York, now Tokyo and the Japanese version of the Tony Award-winning musical. The cast was hand-picked (from an astounding 11,500 hopefuls) by the creative team of producer Cameron Mackintosh, trained for nine months in a special 'ecole' and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Miserables is a triumph. The best production of a Western musical in Japan, it differs little from the orginal London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (813-201 7777)

Kabuki (Kabuki-za): The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Kabuki-za, near Ginza. (813-541 3131).

The Little Shop of Horrors: The original American version of the Off-Broadway musical stars Marsha Waterbury and Bert Hikes. It is produced by David Eastwood and directed by Victor Valentione. Theatre Apple, Kabuki-cho, Shinjuku, near the town's liveliest night spots and in the heart of neon-city. (813-209 0222).

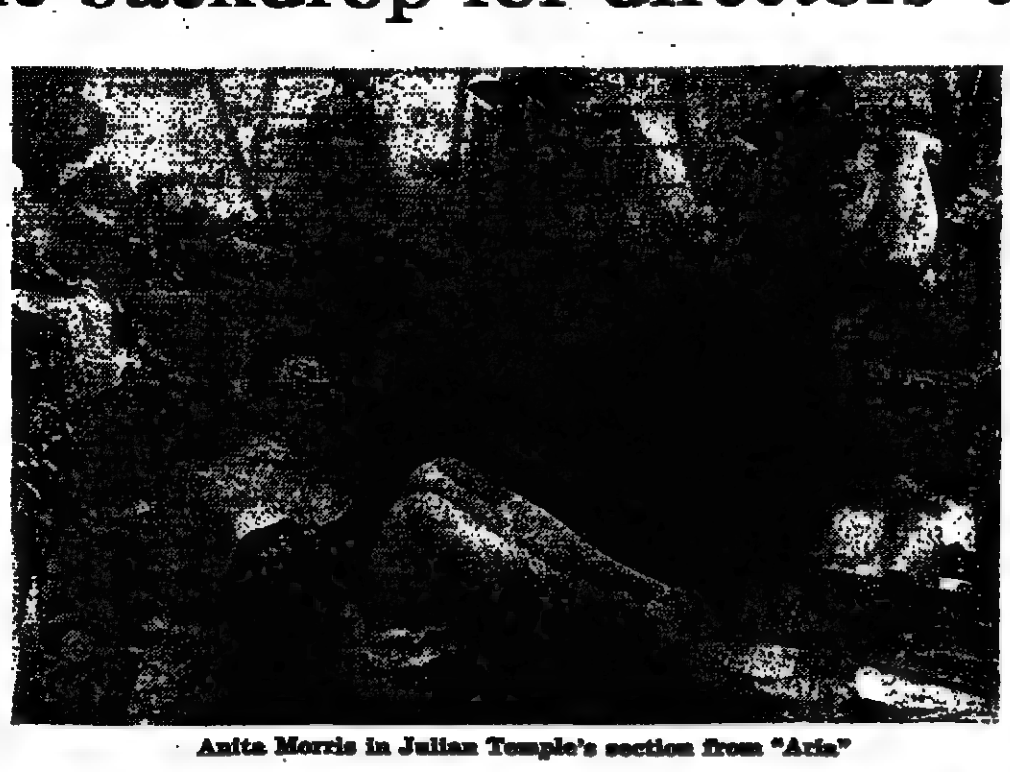
Continued on Page 23

ARTS

Cinema/Nigel Andrews

A sonic backdrop for directors' antics

Aria (18) Lumiere
Bliss (18) Odeon Haymarket
Nightmare On Elm Street 3 (18) Leicester Square Theatre
Who's That Girl (15) Warner West End
The Black Cannon Incident (PG) ICA



Anita Morris in Julian Temple's section from "Aria"

Filming opera is a dangerous business. All too often it involves sacrificing cinema's quicksilver immediacy and realism on the altar of High Theatre. Busty sopranos and aging tenors, who from several rows back in the stalls can just about pass muster as youthful princesses or dukes, look, on screen, like busty sopranos and aging tenors. And whenever the camera homes in on singers for a close-up, we are presented with sights that only dentists should have to endure: cavernously gaping mouths with quaking tongues and tonsils.

In *Aria* maverick British producer Don Boyd, of *Scum*, *The Tempest* and *The Last Of England*, has bravely tried to rout the tropes and cliches. Assembling a hit squad of imaginative directors - including N.Roeg, J-L Godard and R.Altman - he has told them each to go off and film an aria. Being imaginative, they have mostly rejected the stand-up-and-belt syndrome: indeed many of them have rejected the instruction to shoot an aria. Roeg enfolds a whole medley of excerpts from *Un Ballo In Maschera*, used as background score and taken from a recording, in his cloak-and-dagger costume vignette, recreating an assassination attempt on Albania's King Zog. And Julien Temple holds *Rigoletto* upside down and shakes out all its famous musical change for his adulterous comedy caper set in a fantasy motel.

The aims of the film are bold, but a diabolical catch-22 soon comes into play. The less adventurous or more glutinously literal-minded of the nine directors - Bruce Beresford filming Korngold's love duet from *Die Tote Stadt* in a treacly mediaeval glow or Franc Roddam turning Wagner's liebestod into a love-making marathon for two teenagers in a Las Vegas hotel (with ritual suicide for afters) - are at least faithful, in a fashion, to the music and the movie's mandate. By contrast the more inventive directors - Ken Russell pouring the strains of 'Nessun Dorma' over a gory car-crash, or Godard setting a Lully aria in a gym where two girls vainly expose their charms to the self-adoring iron-pumpers - produce weird-and-wonderful impromptus that could belong in almost any film with almost any music.

Indeed as *Aria* goes on, one *feels more and more that not* only is there no winner in this sudden-death play-off between great music and good-to-great movie imaginations, there is not even any real meeting point. Literalistic fidelity betrays itself as trite and myopic: most of all in Bill Bryden's excruciating linking scenes which have John Hurt emoting away as a love-wounded tenor about to don the *Pagliacci* motley. And infidelity, however imaginative, devalues the music by using it as sonic wallpaper for the director's own antics. At the film's end, you feel the onanistic world of the worst pop promos has now visited opera: that a brave idea for shaking up opera-on-film has ended up as a mosaic of variably lively, but almost uniformly dead-end and self-regarding, doodles.

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A far more attractive line in non-sequitur is found in Ray Lawrence's *Bliss*. Scripted by Peter Carey from his own first novel, this surreal comedy from Australia concerns the mid-life crisis of one Harry Joy (Barry Otto). Or do we mean the *post-life crisis*? For it is unclear whether our *40-ish advertising-executive* hero, after suffering a major heart attack, has woken up in Earth or Heaven. Or, for that matter, as he himself suspects, Hell.

His wife is betraying him with his best friend. His daughter is orally involved with his neo-Nazi son. Harry himself keeps having weird visions (live sardines drop from between his wife's legs, cockroaches crawl out from his own stomach). And the whole of 1970s Australia is a-swim with medical fatalism and environmental paranoia. "How are you, Aldo?" Harry asks his favourite head waiter one day. "We eat, we shit, we die," comes the answer, "I myself am dying of cancer."

This all sounds about as funny as the Domesday Book. But director Lawrence gives it a springy, jet-black stylishness which ensures that surprise keeps leapfrogging over distaste. (The first surprise is an astounding crane shot which climbs 300 feet to give us a God's-eye view of Harry's seizure in his garden).

Only when satire gives way to sermon, and the movie's second half guides Harry into a back-to-nature romance in the Bush with a life-affirming hippy (Helen Jones), does the tone falter, turning a black comedy into a sort of Party Political Broadcast for the Greens. Before that it is rude, rumbustious and unpredictable. And no film could be without provocative vigour which produced, on its first showing at Cannes two years ago, the most memorable cacophony of banging seats and departing-in-a-huff spectators I ever remember. Even at the cutting edge of movie sophistication, abdominal cockroaches and intercrural sardines are too much for some.

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A Nightmare In Elm Street 3 is too little, surely, for anyone. In long-running movie sagas, the "trequel" tends to be the point where stamina sags and stupefaction takes over. So it is here. The dreadful Freddie, ghoul and caretaker, is at it once again, subjecting teenagers to his six-inch steel fingernails and to his complexion resembling the worst excesses of a pizza restaurant.

Heather Langenkamp, heroine of *Nightmare 1*, leads the anti-Freddie campaign, assisted by Dr Craig Wasson and a platoon of "sleep-disturbed" kids from a psychiatric home. Robert Englund is once more the Napoletana-faced caretaker, Chuck Russell directs, the script (co-written by the saga's originator Wes Craven) is abysmal and the only thing worth cheering is the special-effects work by Peter Chesney.

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One detail newly revealed in *Nightmare 3* is the ghoulish Freddie's parentage: he is, we are told, "the bastard son of a hundred maniacs." This seems an apt description of many Hollywood films: not least the new Madonna vehicle, *Who's That Girl*: Out of *What's Up Doc?* by *Bringing Up Baby*, its mixed parentage is evident in a plot frantically blending 30s-screwball and 70s-wacky - our fresh-out-of-jail heroine is led a whirlwind dance of slapstick, romance and escaped cougars - and in a Madonna performance that suggests the voice of Judy Holliday vainly trying to match the face of Celeste Holm (with make-up by Groucho Marx).

Meanwhile, out of *After Hours* comes hero Griffin Dunne, reprising his harrassed yuppie of Scorsese's film. And out of nowhere very certain, probably the wrong side of the bed, comes director James Foley. He should clearly have gone back and got another eight hours sleep before presuming to sort all this lot out.

Theatre news in brief

Nicholas Lyndhurst, star of the television series *Only Fools and Horses*, will make his West End stage debut in *The Foreigner*, a new comedy by Larry Shue.

The Foreigner will open at the Albery Theatre in St. Martin's Lane on Tuesday December 15 with previews from December 12. It will also star Jay Benedict, Peter Childs and William Hope.

Tomorrow Was War/Lyttelton

Martin Hoyle

The final visitors to the National Theatre's international season have arrived from Moscow. The Mayakovsky Theatre Company raised the curtain a mere quarter-hour late on Boris Vassiliev's adaptation of his own *novella*, a look back at the last summer of peace and innocence in a small town before the Soviet Union's participation in the war - a sort of Russian *Class of 40*, as it were.

The story is told in flashback by Zhora, now a fighter-pilot (the frame is provided by a wartime visit to his derelict school), and the narration is shared by the classmates of 9B, the girls as pretty, the boys as decent as in any American high, only rather more articulate. A strong lyrical vein runs through the depiction of young people eagerly discussing love, duty and the nature of philistinism. Gentle strumming and soft song from the rest of the group round a forest bonfire form the background to the shy mutual declaration of love between Zhora and Vika (he hardly dares look at her for much of it). But Vika will kill herself after her father's arrest; the easy-going headmaster, a military hero who enunciates a code of decency that would not be unfamiliar to Arnold of Rugby, will be sacked. And thin-lipped Andronovna, her hair scraped back, contemptuous of those girls who want to be dressmakers or actresses, is his loveless and joyless successor.

For all the excellent acting, relaxed naturalism at its best, the whiff of stereotype lingers like wood-smoke in the Russian air. The young people come off better than their elders, making earnest avowals like "I can't make friends with you - you're a maximalist" sound touchingly heartfelt. Shadows are present in the background, in automatic assumptions (justice is the expression of the Soviet system; what other definition is there?); and of course the ruthless ostracism not merely of the disgraced official but of his family as well.

However, this is only incidentally a political play; it is as much a study of growing up, of striking out for independence, of learning loyalty to one's friends. Y.U.F. Sokolov's boyish Zhora is chief narrator; among the consistently convincing youngsters *G.E. Kosarev's gangly sidekick*, T.A. Augshkap's form flirt and A.S. Kasianov's boffin catch the eye. Galina Belyaeva is the doomed Vika, her high heels and sleek hairdo not quite what one expects of the dowdy era of Stalinism, any more than her father's well-cut suit or the bright informal clothes of the other students. Alexander Lazarev is the innocent man accused of embezzlement and plays with the easy, assured charm of the company's leading actor. Vanessa Redgrave reads a simultaneous earphone translation in a breathy tone of increasing lugubriousness. Perhaps the total effect is slightly *bland under the direction of Andrei* Goncharov; but charm, sincerity and a naturalism both laid back and precise make the Mayakovsky welcome visitors. Next time something stronger perhaps?

Yuri Korenev and Yelena Molchenko

Salonen & Harrell/Festival Hall

Max Loppert

The Philharmonia Orchestra under Esa-Pekka Salonen played Ligeti's *Lontano* at the start of Wednesday's concert. And played it well, as indeed the orchestra used to under Riccardo Muti: this beautiful and fascinating stretch of still, soft, long-sustained note-rippling, most of it at low dynamics, is a test of orchestral concentration and control which the Philharmonia players evidently find a congenial challenge.

On this occasion the sense of a music barely uttered or heard which simultaneously suggests another music, just out of reach and earshot, was perhaps less potently evoked than in those past performances; the tapering of colonr-lines had not been rehearsed to the point where the larger shapes and transitions of the music could be effected with absolute smoothness. All the same, *Lontano* can, and on Wednesday did, make a vivid concert starter - one felt this in the audience's intent (and therefore uninterruptive) response to its long, quiet final retraction into silence.

The rest of the programme showed the conductor in a less commanding artistic light. Lynn Harrell played the Elgar Cello Concerto (which he dedicated to the memory of Jacqueline Du Pre) in big, broad phrases, powerfully honed and shaped. The reticent aspects of the music, the half-shades and hesitant yet deeply felt emotional statements, tended to wilt in his forthright delivery, though the authority and solidity of his playing were, as always, a pleasure. But the orchestral contribution was characterless and uncertain of purpose; Mr Salonen seemed unable to encourage his players in providing a firm rhythmic impulse for the solo line, whose many expressive tempo deflections were dutifully followed rather than genuinely answered in the accompaniment.

In the Nielsen Fifth Symphony, after the interval, there was evidence of the conductor's heartfelt sympathy for the musical sound-world and style of argument - colours were intense, contrasts were keen, and, apart from moments of straggling in the fugues, discipline was taut. But the whole of Nielsen's rugged discourse had not been cogently integrated: this was a performance of exciting passages, not an organic unity.

Ravel double bill/Apollo, Oxford

Andrew Clements

Glyndebourne Touring Opera's 1987 season has made its first landfall at Oxford, for a week of performances of the three works that make up this season's programme - *Cosi fan tutte*, *L'Heure espagnol* and *L'Enfant et les sortileges*, and Osborne's *The Electrification of the Soviet Union*, unveiled at Glyndebourne three weeks ago. November will take the company on to Southampton, Manchester and Birmingham.

The Frank Corsaro/Maurice Sendak staging of the two Ravel operas was first seen at Glyndebourne in July. The productions have been rehearsed for the tour by Patrick Young (*L'Heure*) and Kate Brown (*L'Enfant*) with almost wholly new casts, though the principal singer for each is retained. There is no reason to think that the style of either production has been rethought in the intervening months; indeed the visual and dramatic conceptions would seem to leave little room for maneouvre. If *L'Heure espagnol* appears the more successful now - though less disastrous might be the more accurate distinction - that is because the piece itself is more robust, less delicately poised, and the crude brush strokes of Corsaro's images can do less damage.

Admirers of Sendak iconography will delight in the visual detail of both settings - they will *fasten upon the Night Kitchen* cooks in the grandfather clocks of *L'Heure*, and the *Outside over There* goblin in the magnificent mechanical timepiece that dominates the same opera, which itself must send thrills of memory down the spines of anyone who remembers the Guiness clocks from British seaside holidays in the 1950s. But the level of cleverness is too often suffocating. The action of *L'Heure Espagnol* is awfully hammed, while *L'Enfant's* subtlety and perception is totally swamped in factitious gloss.

If ever there was a librettist who could manage without the help of a Freudian subtext it was is Colette, and the introduction of a stepfather into the farmhouse menage, presumably to explain away the child's alienation, seems almost an impertinence in such a beautifully wrought structure. Such devices, and the way in which media are mingled with ill-disciplined abandon so that the potential magic of the front-gauze animations become just another piece of self-conscious cleverness, begin to invoke the law of diminishing returns long before the end.

The playing of the principals roles in both works offers some compensation. Anna Steiger's *Concepcion is easily the main* pleasure of *L'Heure*, adding practiced comic touch to the gifts she has displayed in roles for other companies; her assorted suitors - Neil Jenkins (Torquemada), Robin Leggate (Gonzalve), Peter Rose (Gomez) and Robert Poulton (Ramiro) are allowed little latitude, and understandably in the circumstances keep the humour as elementary as possible. Likewise in *L'Enfant* the single survivor from the Glyndebourne run, Cynthia Buchan's Child, is the one performance of real accomplishment, though Neil Jenkins's Teapot and Arithmetic are sharply focused, and Maureen Braithwaite's Nightingale is spotlessly sung.

Sian Edwards conducts *L'Heure*, Graeme Jenkins *L'Enfant* both obtain some highly characterised solo playing from the London Sinfonietta Opera Orchestra. The operas are presented with surtitles, though French diction is largely excellent; for some they will be the final irritant in an often infuriating evening.

Rite of Spring/Covent Garden

Clement Crisp

The Royal Ballet's current Stravinsky programme has had two further performances since I reported on it, each bringing new casting as well as the continuing pleasure of the orchestra's fine interpretations under Bernard Haitink.

On Monday night Maria Almeida was seen for the first time as the Firebird. With her precise, clean line - she cuts the dance from the air with exceptional clarity - and her elegant phrasing, Miss Almeida has the gifts the part needs. What must come with further experience is an imperiousness, a sense of magic power able to quell Kastchey's horde, which will endow the bird with the 'mighty beat of wings' that Fokine asked for from Karsavina.

It is this lustrous physical presence, the grand flash of the dance exemplifying the bird's supernatural force, which coloured every moment of Fiona Chadwick's interpretation last night. No less vivid her feeling for the drama in the Firebird's struggle with Ivan, and the majesty of her line: here was Fokine's creation in all its glory. The most notable event of these performances, though, was last night's appearance by Simon Rice as the Chosen One in *The Rite of Spring*.

Kenneth MacMillan has been considering casting a male dancer in *the role for some time*. In Mr Rice he has found a young artist who, after five years in the company, has proved himself an interpreter of dramatic sensitivity and technical resource - we have but to recall his success in parts as varied as Puck, the Nutcracker, and Alain in *Fille*.

As the Chosen One he was outstandingly good. At the moment he becomes isolated by the Elders from the group of adolescents (all male on this occasion) we sensed the inevitability of the forthcoming immolation. Simon Rice shows the innocence and the vulnerability of the youth, seeming first to dance from a centre of stillness. As the rite takes hold of him, as his body is galvanised into frenzied and yet more exhausting movement, we see (as we did with Monica Mason's tremendous original) how the *possessed being incarnates* the tribe's hopes and is touched with a supernatural dignity, driven by forces outside himself. The dance inhabits him, and it is a measure of Mr Rice's artistry that we should understand so grandly the course of this gripping physical drama. It is a very fine achievement indeed.

Nash Ensemble/Wigmore Hall

David Murray

This season's Nash series, "Paris 1867-1987," is a good enough excuse for them to play their best suit again and again. Plenty of time for old Gallic favourites, but also for lively rediscoveries and quite recent music, like the little Boulez sextet *Derive* conducted by Lionel Friend in their concert on Wednesday: less liquid, more truculent than in its first London performance, no less striking. Here it followed Guy-Ropartz's Prelude, *Marines et Chansons*, a deceptively winsome quintet - known to most of us only through an old Melos recording - in which the Nash lit up the intricate play of voices.

The old favourite of the evening was the Ravel *Chansons madecasses*, with Sarah Walker strong and searchingly musical in slightly cloudy French. Tempi a bit below the norm for "Aoua!" and "Il est doux..." justified themselves in dramatic results; in the voluptuous "Nahandove" I missed only the sudden shadow that should fall near the end.

The music Debussy wrote to accompany recitations of Pierre Louys' period-lubricious *Chansons de Bilitis* is simpler, more succulent and much bitter. Placing this leisurely confabulation at the centre of a concert was a calculated risk, made good by Lucinda Curtis's suggestively innocent French declamation - a delicious performance; the Nash players could surely deliver the musical fragments by instinct on a mere read-through. As a matter of fact, Debussy's fragments have come down to us incomplete: the programme-book might have told us more about the realisation adopted here.

The Nash's Faure Piano Quintet - the very *late* no. 2 - *is still* a performance-in-the-making. Led rather too prominently by Ian Brown's piano (more assertive competition from the violin leader would help), their reading was perceptive about Faure's elusive harmonic excursions, excessively steady in rhythm (Faure never gambols, but he doesn't *plod*), too shy about stamping an incisive profile on the tunes: the strange riches of this quintet should have a bolder gleam. Another time, the Nash will take a proper grip on the piece - it belongs, after all, in the exalted company of Schumann and Schubert, not to mention Franck. And when are the Nash going to tackle Florent Schmitt's quintet?

Arts Week

Continued from Page 22

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Five Centuries of Spanish Art: An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne.

In the Petit Palais is Greco with a vast visionary Baptism of Christ, Velazquez with a portrait of Philippe IV in his hunting clothes, and Goya with a portrait of Marie-Louise in a black-lace mantilla.

Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. But there is also Juan Gris, and Miro, Dali and Tapies. Petit Palais, Ave Winston Churchill; Musee d'Art Moderne de la Ville de Paris, Ave President Wilson. Both exhibitions are closed on Mondays and both end on Jan 3.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration weith the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou - like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (42991616). Ends Nov 14.

Landscape in the Flemish and Dutch Schools: Light and colour change but the painter's pleasure in recording them never varies. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey are represented in paintings on copper plates or wooden panels of unassuming proportions but in all the perfection of their art. Galerie d'Art Saint-Honore, 267 Rue Saint-Honore (42601503). Ends Dec 4.

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst: Sculpture from the German Democratic Republic (East Germany). A rersult of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldemar and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Nov 3 to Jan 3. Mannheim Städtische Kunsthalle from Jan 23 to Feb 21.

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 158 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3,000-year-old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6. **Art Institute:** 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam, Rijksmuseum: A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

SPAIN

Barcelona: 'Leonardo da Vinci, Nature Studies'. 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: 'Beuys, Klein and Rothko. Transformation and Prophecy'. Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: 'Mark Rothko 1903-1970'. 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose 10 of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

IBM Gallery: Post Modern Architectural Visions includes an international array of designers, including Michael Graves, Hans Hollein and Adolfo Natalini, with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th and Madison (407 6100).

Jan Krugier Gallery: This new gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in *Life* magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculputre, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Japanese Ink Painting: A large exhibition of important paintings from 15th to 19th centuries gives an excellent overview of the japanising of Chinese ink monochrome painting styles. Out of this tradition came the Edo period (1600 to 1868) styles of the Sotatsu and Kano Schools, best-known for their large gold and silver decorated screens. Tokyo National Museum, Ueno Park. Ends Nov 23.

Saleroom/Antony Thorncroft

Good homes for VCs

The Victoria Cross group of medals awarded to Petty Officer Thomas Gould for his his bravery in helping to defuse two bombs which threatened to destroy the submarine Thresher near *Crete in 1942 was sold at* Sotheby's yesterday for £48,400, around double the estimate. They were sold by Mr Gould and went to AJEX, the Association of Jewish Ex-Servicemnen. This was the only VC awarded to a Jew during the Second World War.

Another VC, which went in 1915 to Flight Sub Lieutenant Rex Warneford for his bravery in shooting down a Zeppelin from above, was withdrawn just before the auction and sold to the Fleet Air Arm Museum for £55,000. It is very unusual to sell an advertised lot privately but this was for a good cause and , in any case, the offer was above estimate.

The George Cross awarded to the stewarddess Miss Barbara Harrison for her bravery in saving the lives of passengers during the crash of a BOAC Boeing 707 at Heathrow in 1969 at the cost of her own life also found a good home:British Airways bought it for £9,900.

Sotheby's held an extraordinary silver sale in New York on Wednesday which produced a record total of £2,872,671 and a record price for a single lot of silver in the US: £525,326 paid for a pair of French Imperial silver gilt soup tureens made for the mother of Napoleon Bonaparte in Paris in 1806 by Odiot.

Meanwhile at Christie's in New York a mural covering seven canvases by the late Victorian artist Walter Crane went to a Japanese buyer for £141,521. It was a record price for this artist *of the Arthurian romance. It* had been commissioned in 1883 to decorate the Scandinavian style home that Miss Catherine Lorillard Wolfe was building for herself in Newport Rhode Island, and has remnained in situ until the sale. Entitled "The skeleton in armour" the mural depicts Viking knights charging in battle, among other mythic scenes.

In the same sale of 19th century *European pictures which* totalled £2,262,977, with 12 per cent unsold, a large nude on the sea shore by the Swedish artist Anders Zorn sold for £310,000, way above target, and a portrait of an Italian girl with a tamnbourine by Bouguereau made £147,953.

Christie's in London completed. a sale of natural history and travel books, bringing in £755,613. Burgess the London dealar paid £99,000 for a rare German townbook by Braun and Hogenberg with 298 plates of Euroepan towns. Quaritch, another London dealer, bought a copy of Redoutes "Choix de plus belles fleures" for £37,400.

The big failure in the Christie's sale was Thornton's New Illustration of the Sexual System of Carolus von Linnaeus...the Temple of Flora, or Garden of Nature, which was unsold at £55,000.

FINANCIAL TIMES

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Friday October 30

The defence of Europe

EARLIER THIS week the foreign and defence ministers of the Western European Union held a long-prepared meeting in The Hague to adopt a common "platform" on European defence. This marked, as Sir Geoffrey Howe said afterwards, an "important step forward in the rebuilding and renaissance of WEU", a body originally composed of the five signatories of the 1948 Brussels Treaty which preceded Nato, and later expanded to include West Germany and Italy.

In content, the platform hardly goes beyond accepted Nato doctrine. An overriding concern of all the participants was that whatever they said or did should strengthen, not weaken, the Atlantic Alliance. What is politically significant is that they felt it necessary to do this by meeting as Europeans, in the framework of a purely European body.

It is, after all, nearly a quarter of a century since President Kennedy proclaimed the need for Western Europe and North America to be the "twin pillars" of the Alliance. Why is it only now that the European pillar has felt the need to manifest itself as a separate entity?

On the one hand, Western Europe has, over those 24 years, become gradually and painfully more integrated and more conscious of its own identity. Those who attended the Hague meeting declared themselves "convinced that the construction of an integrated Europe will remain incomplete as long as it does not include security and defence".

Specific object

On the other hand, one of the constituent elements of this European identity is a sense of difference from, and at times antagonism to, the United States. This has encouraged, but has also fed upon, a relative loss of interest in Europe on the American side. European governments have begun to take the problem of European defence more seriously as it has been brought home to them that the American protective umbrella, nuclear and conventional, cannot absolutely be taken for granted.

To bring that home to them was the specific object of the Nunn Amendment, defeated in the US Senate in 1984 by a margin of only 55 to 41, which proposed the withdrawal of 90,000 US soldiers from Europe within five years if the Europeans failed to increase their conventional forces. But the message was transmitted far more effectively, if inadvertently, to European leaders by President Reagan himself: first when he proposed the Strategic Defense Initiative, proclaiming the objective of making nuclear weapons obsolete; then when he all but agreed with Mr Gorbachev at Reykjavik on the scrapping of all intercontinental ballistic missiles; and thirdly this spring when he moved with such alacrity to accept the "double zero" option on intermediate-range weapons.

Special concern

The common thread in all those moves was that they seemed to take little account of the "special concern" of Western Europe with "the Warsaw Pact's superior conventional forces and its capability for surprise attack and large-scale offensive action" (to quote the Hague Platform), which Europeans tend to see as Nato's fundamental raison d'etre. In the eyes of the present WEU members this concern must be met by "an adequate mix of appropriate nuclear and conventional forces, only the nuclear element of which can confront a potential aggressor with an unacceptable risk." (By including this point in the Platform, they set an important condition which may cool the ardour for WEU membership of countries such as Greece, Spain and Portugal.)

Europe not only needs WEU as a megaphone with which to remind the Americans of this special concern with Warsaw Pact conventional superiority, but also as an institution within which to concentrate the minds and energies of its own peoples on the task of European defence. The timing of the Hague meeting was particularly apposite in a week when world attention has been focused on the plight of the US economy, and US policy-makers have committed themselves with new zeal to the task of reducing their budget deficit. It will be very surprising if this process does not result in renewed and more urgent demands from Washington for Western Europe and Japan to take responsibility for their own defence, at least in the conventional field, and to make a larger contribution to the global defence of the free world.

Agenda for the Lord Chancellor

LORD MACKAY takes over as Lord Chancellor at a time when reform of the English machinery of justice is much overdue. His appointment gives rise to hopes that something will be done at last. The new Lord Chancellor has an excellent record as lawyer, judge and politician - and is a Scot with a legal background more favourable to the task in hand.

His first task is to turn Lord Hailsham's review of civil justice into an actual reform. Disputes should as a rule be brought first into county court and proceed into the High Court only if justified by importance or legal complexity. Procedure of all courts should be harmonised and simplified, with a written preparation of trial obviating the need for long hearings. Judges should exercise a much stronger control over both the pre-trial procedure and the trial itself, keeping them crisp and short.

Second, a family court should be established without further delay. It should be a round-the-table affair, without wigs and much formality. It should be the judge's task to strive for a fair resolution of family disputes and to look after the interests of any children involved.

Third, there is a great need to help judges by refresher courses, to acquaint them not only with legal developments in the UK and in the Community but also with other disciplines which have a bearing on their work. Judges should be encouraged to seek the truth actively, rather than only to hold the rope at which the two opposed parties pull. The rules preventing them to speak in public on general issues of law and policy should be scrapped. They also should be told to expect criticism and to take it with good grace, as most of them already do.

Personal prejudice

Fourth, the Lord Chancellor should take the lead in making the English statute understandable to ordinary people - or at least to judges. The convoluted style cultivated by parliamentary counsel is responsible for much uncertainty and unnecessary disputes, as well as appeals. Clearer statutes, stating the objectives of the legislator in general terms, without unnecessary detail, would reduce the businessman's dependence on lawyers and enable judges better to translate Parliament's will into decisions appropriate to the circumstances.

Fifth, though most judges are excellent, some have shown personal prejudice, especially in their comments and sentences in criminal trials, which have been greatly resented by the public. There is also a shortage of professional judges. Both could be remedied by drawing candidates for judicial appointments from a wider circle: not only barristers, but solicitors, and academics should be considered. And the Lord Chancellor should not rely in this important task only on the advice of his officials and senior judges; he needs a widely based advisory committee which could later be transformed into a judicial commission, dealing with appointments, training and evaluation of performance.

Higher courts

Sixth, the necessary legislation should be introduced to enable solicitors to form partnerships with other professions. They should be given the right of appearance in higher courts and it should be left to the client to decide who should represent him. Lawyers will be deterred by the possible complaints and malpractice suits from taking on more than they can manage. As a necessary corollary, a sharp-toothed ombudsman dealing with complaints against both solicitors and barristers should replace the Lay Observer of the Law Society.

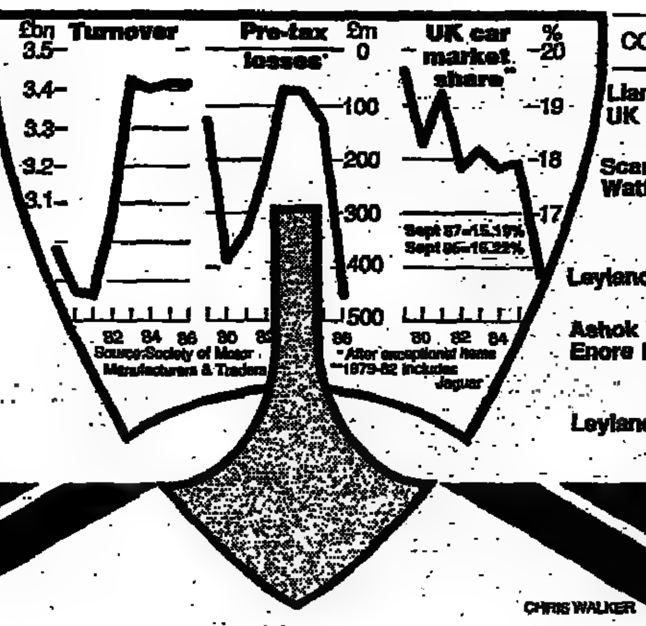
Finally, one would hope the new Lord Chancellor could do something to bring the ailing Crown Prosecution Service to vigorous adulthood. The idea was that it should get papers in time to see whether prosecution is justified, and not only while the hearing in the magistrates court is in progress. It needs good, self-confident lawyers, able to hold their own against the police and the defence. They cannot be had on the cheap, but they would save many times the money spent on them by eliminating at least half the present prosecutions and trials and by reducing the overcrowding of prisons.

Graham Day is preparing Rover for privatisation. **Kenneth Gooding** examines the prospects

A long way to the City

DISPOSALS SO FAR....

COMPANY	PROCEEDS
Jaguar	£297m (100%)
Unipart	£30m plus a potential £22m (77%)
JRA	£23m plus a potential £7m (80%)
Istel	£26.25m (75%)
Leyland Bus	£4m (100%)
Leyland-DAB	Terms not revealed (100%)
Leyland Trucks/ Freight Rover	No cash changed hands. Rover owns 40% of enlarged Daf group



....AND TO COME

COMPANY	
Llanelli Radiator UK Foundries	To be sold to employees Negotiations with Eisenmerk Buhl
Scammell, Watford	Several parties interested in buying after most operations are moved to the new Leyland Daf company in Lancashire
Leyland S.Africa	Management buy-out being arranged
Ashok Leyland/ Enore Foundries	NECO and the Hinduja family will pay about £28m for Rover's minority interests
Leyland Nigeria	In receivership. Buyer sought for Rover's minority interest

WITH THE British Petroleum share sale at the centre of international controversy, it may be a curious moment to turn attention towards the industry which was always the most difficult item on the Government's privatisation agenda: the Rover vehicles group.

Although hardly the focus of immediate ministerial attention, there has been no contradiction from Whitehall of the publicly stated view of Mr Graham Day, the company's chairman, that Rover can be returned to the private sector in the life of this parliament. Indeed, Lord Young, the Trade and Industry Secretary, has made it plain that he not only wants Rover privatised; he wants it to be returned to individual shareholders rather than sold privately to investment institutions or another industrial concern.

But even before BP, experts in the City and the motor industry were sceptical about a flotation of Rover on the stock market. At the very least, the Government must face the unpalatable fact that, whatever method of privatisation is chosen, it will almost certainly involve spending more public money. Rover, formerly known as British Leyland or BL, has soaked up £2.9bn in the past 10 years, yet still has an accumulated deficit of £2.6bn. It also owes the banks a further £811m.

John Lawson, an assistant director at Nomura Research Institute in London, says that before Rover could be privatised, "the Government would have to forget about the £2.9bn it has put in for equity and would also have to sweep away most of the £800m debt."

The UK Government would have to tread carefully because the European Commission is keeping a close eye on the motor industry to ensure that state handouts to ailing companies do not disturb the competitive balance. For example, the Commission insisted that extra cash the UK Government provided for Rover last year be cut from £750m to £680m. It also objected to the terms of the French Government's intended financial restructuring of Renault and forced a compromise.

However, it is likely the Commission would bend a little if it were assured that the UK Government was quitting the motor industry once and for all, and that the new money was not simply being injected to cover old losses.

Taking the Government out of the motor industry was exactly what Mrs Thatcher had in mind early last year, when she called in Mr Day to replace a management team which she felt was dragging its feet over privatisation.

Mr Day worked out a three-phase programme, starting with the disposal of peripheral operations to reduce Rover to its core business - the development, production and marketing of Austin Rover and Range Rover cars and Land Rover utility vehicles. That initial phase is nearly over, leaving Rover with minority interests in several profitable companies, including a 40 per cent stake in Daf Trucks of the Netherlands instead of 100 per cent of the heavily loss-making Leyland Vehicles.

The major exception is that Land Rover is still part of the group, because just before Mr Day was appointed, the previous management decided to keep it. Mr Day has not yet decided on Land Rover's future, but should it be sold separately, it will not be difficult to determine its value.

That is not the case with Austin Rover, the volume car business - which is where Mr Day's second objective comes in. His aim, once the disposals were out of the way, was to return the core business to an operating profit. "Unless we can do that, we can't prove we really have a worthwhile business," he says.

Rover appears to be making the right kind of financial progress. Mr Day exposed the company's financial problems in the profit and loss account for 1986, when he was responsible for Rover for only part of the year.

Once extraordinary losses of £430m had been taken into account, Rover declared a net loss of £892.1m. The ground was thus prepared for a "miracle" recovery in Mr Day's first full year of chairmanship.

For the first half of 1987, Rover reported a net loss reduced by 80 per cent from £204.5m to £42m. With a great deal of luck, the group might even come close to an operating break-even for the full year.

Phase three of the programme is the return of Rover to the private sector, and Mr Day has told the Government he will present proposals in the middle of next year. In theory, he has several alternatives, including reflotation on the London Stock Exchange, placing Rover shares with City institutions, or selling a majority stake in part of the group, or the whole, to another vehicles company.

Rover is unusual among state-owned entitities in that it already has a stock market quotation. It still has about 60,000 private shareholders who between them own just 0.8 per cent of the issued capital.

Many City and industry experts feel that the obstacles in the way of a reflotation or a placing with financial institutions are too numerous. "There is no way Rover could be floated or be the subject of a management-led buy-out by 1992," says Professor Krish Bhaskar, who heads the Motor Industry Research Unit at the University of Norwich.

He suggests that the best the Government could hope would be for Rover to become marginally profitable after interest and tax by 1990 so that it could be sold to another motor company. While a net profit is "well within the realms of possibility," he points out that this will be achieved only if the company is reasonably successful with the new models it has in the pipeline.

Other analysts, however, point to Rover's volatile financial record and the fact that it has never produced a pre-tax profit since the Government stepped in to save it from bankruptcy in 1975. The Stock Exchange usually demands at least three years, and preferably five, of profits growth from any company contemplating flotation.

Even if the Government were to clean up the Rover balance sheet, potential shareholders would also take some convincing that a company of Austin Rover's size has a chance of survival in a highly competitive industry.

Austin Rover is trapped in no man's land: too small to be a volume car producer, it still attempts to provide a volume producer's range. As it is, it can only remain viable as a specialist, up-market manufacturer, but it has a long way to go to develop a BMW-type image.

There is even doubt about its ability to produce desirable volume cars. Although the Metro received an ecstatic welcome in the UK at its launch seven years ago, no other model in the company's "product-led revival" has received anything but a lukewarm response, mainly because of initial quality deficiencies.

Whatever else Mr Day might have achieved, the hoped for recovery in volume sales and market share in the UK has so far eluded Austin Rover.

He would argue that this year the quality of sales - in terms of profit margins - has been a great deal better than in 1986, a point he hopes to prove when the full-year accounts are published. But Austin Rover's share of the UK car market - 15 per cent - is at its lowest point ever and a new marketing approach has failed to raise its sales volume significantly, in spite of record sales of cars in the UK as a whole.

The company is relying on increased exports to boost production. In the first nine months of this year, however, its registrations in continental markets rose by only 3.5 per cent,

Austin Rover's return to the potentially lucrative US car market with the Sterling, a version of the Rover 800-series, developed in partnership with Honda of Japan, also got off to a patchy start. Before the launch, the US importer expected to sell about 27,000 Sterlings in the first full year, but the number will probably be nearer 15,000.

The company has had to lean increasingly on co-operative arrangements with rival companies, particularly Honda, to develop products. But it is far too early to judge whether the new management team can, with Honda's help, come up with more desirable and successful models. The programme includes a mid-sized model, code-named R8, to replace the Maestro and Rover 200-series, due in 1988; and a radically redesigned Metro, scheduled for launch shortly afterwards.

Model range 1986
Number of cars produced

Mini	33,722
Metro	153,207
Maestro	50,828
Rover 2000	62,546
Montego	70,606
Rover SD1	2,870
Rover 800	15,451
Honda Legend	425
Honda Ballade	315
Range Rover	14,486
TOTAL	404,464

To most observers, Austin Rover's link with Honda is thus crucial to the UK company's survival. Potential investors in Rover "would want to know which way Honda would jump," points out Nomura's Mr Lawson.

"It is no use pretending any more that Rover is capable of developing new models on its own or can earn enough money to fund their development. If Honda took a substantial minority holding in Rover, the Government might be able to sell the rest to institutional investors," he says.

However, Honda shows no sign of wanting to cement its association in this way. Satoshi Okubo, Honda's chairman, said recently that his company had no intention of asking for a stake when the company was privatised. He is convinced Honda is adequately protected by the terms of its joint-venture contracts with Rover, whatever happens to the ownership.

Mr Lawson and other analysts point out that Honda is in any case getting all it requires from Rover - in the form of co-operative ventures and cars built by the UK group for distribution throughout western Europe - without having to put up any money for equity.

None of these arguments will be new to Mr Day. He has said again and again that Austin Rover must rely heavily on joint ventures. He acknowledges that Honda's involvement is critical in the short and medium term - but insists the Rover management can review the situation after the R8 medium car is launched.

In spite of all these things, however, it can be assumed that Mr Day would not have gone public about his hopes to privatise Rover unless he had good reason to believe he could deliver. He has confounded the pundits before. There were not many, for example, who believed he would be able to sell off so much of the Rover group in the short time he has been in charge, and he even found a solution for Leyland Trucks, Rover's biggest loss-maker.

To turn Leyland Trucks and Leyland Bus into suitable candidates for sale Mr Day had to persuade Mrs Thatcher to change her mind about not putting another penny into Rover. In March the Government provided no less than £680m cash for new Rover shares. The reduction in debt resulting from the injection and sell-offs has contributed greatly to reducing Rover's losses.

The recent half-year results prompted a number of financial institutions to get out their calculators and put people to work on possible privatisation schemes for Rover.

If the price is right, the City will usually provide the money - analysts point to the successful flotation of British Airways, another company with a distinctly chequered financial record.

However, many observers feel that if the Government wants to get a good price it should let other vehicle producers know Rover is for sale and start an auction.

Chrysler, the third largest US car company, would probably be interested. It wants to return to production in Europe - having left when it was near bankruptcy at the end of the 1970s - and the man supervising those efforts, Bob Lutz, knows the UK and Rover well because he was for many years chairman of Ford of Europe.

Ford, which started preliminary negotiations to take over Austin Rover at the end of 1985, says it would be willing to restart them - but only if invited to do so by the UK Government. "We were badly mauled the first time," says Philip Benton Jnr, the executive vice-president responsible for Ford's activities outside North America.

The Government came under fire not only from the Labour opposition but also from its own back-bench MPs when it emerged early last year that Austin Rover might be sold to Ford and the Land Rover and Leyland Trucks companies to General Motors. The outcry was so great that Ford was asked to go away and the GM deal fell through.

Mr Day, who knows better than many industrialists how to handle politicians, would make sure that next time Mrs Thatcher was better prepared to head off a political rumpus. And he might have to bring considerable political skill into play, because to stick to the 1992 deadline, Rover might have to be sold to a foreign competitor.

Men and Matters

Pru takes the prize

As if the responsibility of running the biggest single investment portfolio in the London stock market were not enough, Trevor Pullen has spent the past year battling to win an investment race.

Pullen, who heads the global equity department of Prudential Portfolio Managers, the investment arm of the Prudential, has just staved off competition from five teams of fellow fund managers to win the Holborn Great Investment Race.

The Pru's team finished well ahead of the rest of the field. It began with a portfolio of £35,000 and, after a year of risky to reckless investment, finished with £381,229. The "profits", nearly £350,000, will be donated to charity.

Pullen, helped by his colleagues Ted Williams and Colin Stainsby, admits that the investment climate helped - the race ended just before the stock market crisis began - but reckons that they had "a few strokes of luck along the way".

The team is now preparing to defend its laurels when it enters the second Holborn Great Investment Race scheduled to start in the New Year. He admits that it will be difficult to do as well if the current crisis continues.

"But the situation is bound to improve," he says. "First because the Government will take some action. Second, because I am a natural optimist."

"Quick - wake Sir Cuthbert and ask him if he fancies being the new chairman of the party."

High speed life

A most satisfying end to a career is to find yourself synonymous in the public mind with your life's work.

Sir Kenneth Hutchison, the great gas manager, who is 84 today, took the gas industry by the scruff of the neck in the early 1960s, shook it hard, and transformed it with the aid of one of the most striking publicity campaigns of the time - High Speed Gas.

He linked it with offering gas-users newly-designed appliances from the council's laboratories, and tariffs highly competitive with other fuels.

His lucky streak held. The industry was revived within the next few years by new sources of supply - first Algerian methane, and then North Sea gas.

Since then sales of gas in Britain have increased more d - and when the industry was floated on the London stock exchange last year it was the largest single business the exchange had ever handled. Hutchison has now put it all down on paper in his autobiography called High Speed Gas - what else? - which is to be published by Duckworth next month.

Hutchison formed half of a formidable team at the Gas Council, (the forerunner to British Gas). He was deputy to the chairman Sir Henry Jones.

They were a good partnership, Jones handling the politics of the industry while Hutchison ran gas production and sales.

As Jones was the younger man by three years there was virtually no chance of Hutchison getting the top job. He left the industry in 1966 after 40 years and became a consultant to the oil company Amoco.

In more recent years, he has often spent his summer months indulging his hobby of cooking exquisite meals in the galleys of yachts belonging to fellow members of the Royal Cruising Club.

Hush money

How much has the Government spent in its campaign to stop the world reading Spycatcher?

The cost to public funds of trying to prevent Peter Wright's book being published was £314,000, said goverment sources recently.

But solicitor David Hooper, who has been involved in the case, calculates the true cost at more than £2m.

Writing in Law Magazine, he estimates the cost of the Australian court case as £1.5m, actions against newspapers as £400,000, and other costs as £140,000.

Family fortunes

A possible Antipodean share play for Aitken Hume is beginning to look increasingly like a family affair. The "Spycatcher" lawyer, Malcolm Turnbull, has been trying to pick up the near-25 per cent stake in Aitken Hume held by fellow Australian entrepreneur, Lee Ming Tee, as a likely first step towards making a bid for the financial services group.

Turnbull, it turns out, is being backed by Kerry Packer, the Australian financier cum media magnate, in a new merchant bank venture. Aitken family aficionados may remember that until January, Packer held 27.3 per cent of TV-am shares which were then passed on to Alan Bond.

TV-am is chaired by Timothy Aitken who was once finance director of Aitken Hume, and the company is still chaired by his cousin, Jonathan Aitken, the Tory MP.

All of this could just be coincidence, of course.

Space venture

One American space venture that appears to have taken off successfully is that launched by Carl Hanauer when he arrived in Britain two years ago.

Hanauer figured that the British, like the Americans he knew, would always be short of storage space. So he set out to provide it for them in storage rooms to let in almost any size and for as little as £3 a week.

His Personal Storage Management company now has six centres in London, Bristol, Leeds and Newcastle catering for individuals who just cannot stop hoarding things, as well as businesses with overflowing stock rooms.

Hanauer now plans to find more space for people to fill in Edinburgh, Gloucester, Nottingham, Brighton, Portsmouth...

Hunting pink

Cheshire County Council - one of the "hung" variety with Labour five seats ahead of the Conservatives - yesterday debated how to tighten its four-year-old recommendation that hunting should be discouraged on council-owned land. Apparently, smallholders, other tenant farmers and users of some common land have not been taking much notice.

Perhaps they have all heard that one of the most prominent past members of the local hunt was a certain Friedrich Engels, the ideological twin of Karl Marx. Could there be something historically inevitable about the call to hounds?

On call

Sign on a desk seen from a scenic elevator as it glided up a Manchester atrium: "Blessed are the brief, for they shall have small telephone bills."

Observer

Politics Today

'The events' of October 1987

By Malcolm Rutherford

IT HAS NOT been like the Suez crisis when Lady Eden remarked that the Canal seemed to have been flowing through her drawing room; nor even like the Westland affair when according to Sir Robert Armstrong, the Cabinet Secretary, the normal business of government almost ceased. It has not been like that at all.

On the contrary, it has been very much business as usual. The British Prime Minister, never a great believer in telephone diplomacy, has not been on the line to the White House to ask President Reagan what he intends to do, nor even how he is.

A few Government meetings have started late and the stock market crash has meant, as one member of Mrs Thatcher's entourage put it, that there is "one other thing to worry about." But, for the rest, life goes on.

The Government has frozen child benefit, there has been a green paper on new ways of determining teachers' pay and Lord Mackay of Clashfern has become Lord Chancellor in succession to Lord Havers, who resigned on the grounds of ill health. Lord Young of Graffham has not become Conservative Party chairman, which signifies considerable rumblings beneath the surface. Do not think that those items have not been noticed just because there is no comment. In normal times they would have been much discussed. This week they have looked like footnotes.

So which is the real world - the world of the screens where numbers go up and down, but mainly down, or the world where people go on behaving as if nothing extraordinary has happened?

The answer is that nobody is quite sure. Ministers look at the figures, but are no more capable of interpreting them than anyone else. There is an assumption that sooner or later the markets must stop falling, but so there was at the end of last week and it turned out to be premature. There is a fear that the slump in equities may lead to a full-blown international currency crisis, but it has not yet taken hold. The long-term effects of the market upheavals are regarded as uncertain; in the short term no great danger is seen for the Government.

Partly this is because the fall in the world's stock markets is manifestly not Britain's fault. The British economy is stronger than it used to be and growing faster than its competitors. There has not been any downward pressure on sterling. If there is an international economic crisis, Britain will not be in the front line. That is unusual when one thinks of the last few decades.

Virtue also comes out of the international comparisons. The UK does not have a trade or a budget deficit like the US. Nor does it have a trade surplus like West Germany or Japan. The German trade surplus for September alone was DM11.5bn (nearly £4bn) and for the first nine months of the year together well over DM80bn. Britain cannot be held to blame for the imbalances.

The Government takes comfort from the domestic political scene as well. Almost whatever happens, there is unlikely to be much of a swing of opinion in favour of the opposition parties. John Smith, the Shadow Chancellor, did not distinguish himself when he formally raised the question of the sale of the BP shares in the House of Commons on Tuesday. He spoke in cliches and was too extreme.

"Does the Chancellor understand that the free market chickens have come home to roost?...Will the Government accept that, as a result of the events of the past few weeks, free market theories no longer work?"

No-one was bowled over by that, least of all Chancellor Lawson who had begun his remarks with that slight stammer that always betrays that he is more nervous than he looks. After Mr Smith's uncharacteristic blustering, Mr Lawson was home and dry.

In fact, the BP issue - one might almost say the near failure of the BP issue - has shown the Tories to be remarkably united. It has brought out their populist side. They can attack the trades unions, dragons slain long ago: one would expect that. They have now shown that they can also attack the City.

There was almost a perverse pleasure from the top of the parliamentary party to the bottom that the underwriters might have to sit on their BP shares and take losses. "Serve them right, stew in their own juice, had it coming to them," seemed to be the general view. Sir Michael Shaw, the Member for Scarborough, became so carried away that he referred to the underwriters as "undertakers". The mistake became catching.

If the rest of the world is spendthrift or miserly, the UK will feel the turbulence

A united Tory party is not a wholly attractive sight. It should also be remembered that the party can be quite fickle in its attachments.

There is, of course, another reason for the show of confidence among ministers, which seeps through on to the back benches. Chancellor Lawson is the finance director. He knows about these things, has done pretty well so far, kept his head when others doubted and generally been proved right. So long as he remains at the Treasury, the rest of the board can get on with the other business of running the Government.

One doubts, however, if that is quite how the Chancellor sees it. Every speech that he has made in at least the last two years has contained a warning that while the domestic economy may be healthy and growing stronger by the day, it could be subjected to the most fearful international storms.

That is what has happened. Nothing in the Chancellor's record suggests that he has failed to recognise it. The problem is what to do about it. It is all very well Britain being virtuous, but if the rest of the world is either spendthrift or miserly, in the end the British economy will not be immune from the turbulence.

There seems little doubt about what the Chancellor would like to do. He would like the Americans to reduce their budget deficit and the Germans to be more expansionary. He would not like the Americans to seek to cut their trade deficit by another devaluation, at least if his statement to the International Monetary Fund (IMF) at the end of last month remains the set text.

He said then: "It would be a serious mistake to seek a short-cut by a further dollar depreciation. It was undoubtedly necessary to correct the huge misalignment of the dollar in 1985. But there is no case for going to the opposite extreme of an artificially low dollar. The benefits to the current account would be small compared to the damage to US inflation and the dislocation to the world economy."

What he would probably like is another Plaza-type agreement between the main industrial democracies. Plaza 1 was the agreement on the devaluation of the dollar in September 1985. Plaza 2 is what Mr Lawson, in moments of confidence, calls the Louvre Accord of February this year which said that it was time for a period of exchange rate stability.

His IMF statement was a call for a further move towards managed floating of currencies. "Our objectives should be clear," he claimed: "to maintain the maximum stability of key exchange rates and to manage any changes that may be necessary in an orderly way."

Plaza 3 might have come out of that. It may still, if the markets enforce it. But the orderly process has been overtaken by events and there is no guarantee that order will be easily restored.

When Helmut Schmidt moved from being West Germany's Defence Minister to the Finance Ministry in the early 1970s, he said that while he had always thought that international co-operation on security matters was deficient, he found that co-operation on monetary matters was practically non-existent. Some progress has been made since then.

Maybe, however, we have returned to square one. No-one from outside can compel the US Administration to reduce the budget deficit in an orderly fashion. It has problems with Congress and Congress may equally well retort that it has its own problems with the Administration. It looks as if there may be a power vacuum in Washington until after the elections in November next year.

The Europeans are not united, Chancellor Lawson seeming to chide the West Germans almost as much as the Americans do. Until the end of last week, British policy advisers tended to say that the stock market turbulence would blow itself out, citing as evidence the fact that exchange rates had stood up to the pressure without cracking.

That view looks much less confident now, which is why the picture of the British Government going about its business in the normal way, though superficially accurate, may be misleading.

Some people have taken to describing what has been happening in the markets in the last two weeks as "the events", just as the French referred to the student uprising in 1968 as "les evenements" for want of a better term. Nobody was quite sure what they meant, how serious they were or what would happen next. It is the same with the markets. They have made the future even more unpredictable than it usually is.

Lombard

Promotion of British culture

By Robert Mauthner

EVEN BY the normally unsatisfactory standards of Government responses to Select Committee reports, the latest Whitehall observations on the recommendations on cultural diplomacy made by the Commons Foreign Affairs Committee are extraordinarily complacent. Not only have suggestions for a separate cultural diplomacy budget and additional funds to halt the rapid decline in the Government's direct grant to the British Council been turned down, but the whole exercise has been conducted on the level of a university philosophy tutorial. The Foreign Office mandarins who prepared the response would have us believe that cultural diplomacy is a semantic sub-category which cannot be separated from diplomacy in general and does not therefore lend itself to precise definition or cost accounting.

According to this seamless web approach, cultural diplomacy "helps to make Britain and British standards better known and understood, so that we may pursue British interests more effectively." If that definition were accepted as the be all and end all of cultural diplomacy, it would certainly absolve the Government from special funding. Unaccountably, however, the philosophers of King Charles St. have permitted themselves a logical contradiction which demolishes their argument in one fell swoop.

How can the Government reconcile the assertion that it is very difficult to distinguish cultural diplomacy or relations from political, economic and commercial diplomatic activities with its recognition that the British Council is one of the principal instruments of cultural diplomacy? And why, in that case, should an autonomous body of this kind be funded at all by the Government?

Once it has been recognised that the promotion of culture is an essential element of Britain's diplomatic effort and that the British Council is one of the main agents of cultural diplomacy, it is no more than good sense to ensure that the Council's activities should be properly funded. The Government's reluctance to accept the British Council's demand that its grant should be increased by a few million pounds is based on the argument that it is subject to overall policy constraints, namely that public expenditure should not rise as a proportion of GNP.

That is clearly a consideration which cannot be ignored. But it fails to take into account the extremely serious erosion of the grant, which has declined in real terms by 23 per cent or £20m since 1979 and has been reduced during the same period from 46 per cent of the Council's turnover to only 29 per cent in 1987-88.

It is true that the Council's success in making English-language teaching pay for itself has done something to relieve the financial strain. But this has been no more than a drop in the ocean compared with the Council's financial requirements to promote the arts, libraries and English-language teaching in the Soviet Union and other Eastern European countries.

With the advent of glasnost, it is important that Britain should not lag behind in its cultural diplomacy in Eastern Europe. Yet the British Council's budget for the Soviet Union, funded entirely by the government grant, is only £1.2m, half that of Botswana, which is paid by aid funds. It has also been nothing short of scandalous that the number of overseas students coming to Britain has been allowed to decline by nearly 40 per cent following the introduction of full cost fees in 1979. The trend has only just started to be reversed, but the British share of the world market in this area is now only half of what it was 8 years ago.

From these figures it is clear that, not only has the Government adopted a philistine attitude towards the promotion of British culture abroad, but it has not even satisfied its own criterion that cultural diplomacy should vigorously promote British interests. The overseas students of today often turn out to be the political and commercial leaders of their countries tomorrow and a successful visit by the National Theatre or London Symphony Orchestra to Moscow can reap diplomatic benefits far exceeding those of an official visit by a Government Minister. That is what cultural diplomacy is all about. It is nothing short of amazing that the Government still thinks the problem is mainly one of terminology.

Letters to the Editor

Linking money to commodities

From Dr P Collins.

Sir, - Mr Kahn urges readers (October 21) to add their views on the linking of currency values to commodities, perhaps I might comment.

It is not sufficiently widely appreciated that J.M.Keynes repudiated the "Keynesian" fine-tuning of government spending towards the end of his life, and advocated instead a more "automatic" system based on counter-cyclical stock-piling of primary commodities - with the intended benefits described by Mr Kahn. Unfortunately Keynes did not provide a satisfactory mechanism for permitting the required flexibility in commodity prices, while the linking of currency to a "basket" of commodities, as advocated by Benjamin Graham among others, faces severe practical difficulties.

Any practical system for linking the value of money to commodities must be based on a range of commodities; must avoid distorting commodity markets; and must enable individual countries to implement it, independently in terms of their own currency. The proposal of the Australian economist, the late Leo St Clare Grondona for a system of conditional currency convertibility is unique in achieving these objectives, enabling national governments to determine in advance the scale on which to implement the system. This entails also that its implementation would be politically far easier than a system which requires an open-ended commitment combined with detailed international agreements.

The late Sir Roy Harrod wrote "The tragedy of it is that his highly practical proposals have not long since been implemented" more than ten years ago. Is it inevitable that national Treasury departments are incapable of innovation in the absence of a real financial crisis?

Dr P Q Collins,
Imperial College of Science and Technology,
Exhibition Road, SW7.

High cost of absenteeism

From Mr J Matthewman.

Sir, - With respect to your article on absenteeism (October 26) - for some time the cost of it to British industry has been grossly underestimated and it is interesting to see that the recent CBI survey places a figure of some £5bn. Even this is thought by many to be low given some studies put the total number at 385m lost working days a year. This would imply a cost of some £15bn on the basis of an average weekly rate of £199. Whatever the figures, absence from work remains the largest single reason for loss of productive time and yet significantly the least discussed. Few firms accurately record sickness absences; many supervisors and managers still feel that it is impossible to challenge an employee who presents a medical certificate and the vast majority of self-certificates are rubber-stamped even when the reason for the illness includes such glamorous descriptions as "knackered" and "ergophobia".

The problem is now so great that on average every member of our working population takes 14 days of "certificated" sicknessabsence every year. If an organisation of 1000 employees could reduce just two of these days at average pay rates, a saving of some £79,600 a year can be gained. If this is the case, on a national basis £2bn could be saved. Organisations must keep accurate records and should in particular note an employee's pattern of absence. Organisations should try and cost their absence as the introduction of a £ sign into the statistics will guarantee commitment from the very top to the line supervisor on why absence control is so important. All employees must be interviewed by supervisors on their return to work and be shown their attendance record. Letting the employee know the organisation knows, is half the battle.

Jim Matthewman,
Percom, 100 hanger Lane, W5.

Enhanced role for UN

From Mr A Ignatov

Sir, - Like Edward Mortimer (October 20) I too would like to see the US adopt a more positive attitude to the possibilities of an enhanced role for the UN in all areas of international concern.

I would suggest that Mikhail Gorbachev's September article is a doctrine for commuication. It is time we all accepted the logic that common problems can only be resolved by a common approach. This is Gorbachev's key point.

It is not up to one or two great powers to direct the general course of life. It is a matter for all countries - both in observing the rules of international relations (Gorbachev insisted on the term "civilised relations") and in resolving the urgent issues of politics, economics, culture, ecology and so on.

The Soviet Union has attempted to be as practical as possible. As far as the UN is concerned this means not simply a peacekeeping role in time of conflict. Mikhail Gorbachev suggested the creation of a multilateral centre at the UN for lessening the war danger. He underlines the usefulness of non-governmental commissions and groups that would be analysing the causes, circumstances and methods of settlement of particular conflict situations.

What most attracted my attention in the article, however, was the idea of setting up a world consultative council under the UN auspices to bring together the world's intellectual elite. Something like a club of the most experienced and knowledgeable people. Who could form part of it? Prominent scientists and scholars, representatives of international organisations, personalities engaged in cultural activities, literature and art, politicians and public figures, eminent church leaders. Naturally, the list could be extended.

To begin with, such a "council of wise men" could do much to build up the intellectual and ethical potential of world politics. It could broaden its scope to include important questions of the development of society, morals, science and technology - questions requiring extensive consultations and a search for a common human approach. Discussions could be conducted by winners of Nobel and other prizes, recognised and respected by the world community, as well as by members of all kinds of academies.

It is clear from the response to this February's international forum in Moscow that there is a large body of goodwill waiting to be tapped. The world could only benefit from a broadening of such intellectual contact.

Alexander Ignatov,
Novosti Press Agency
4 Zubovski Boulevard,
Moscow

Vagaries of the M25

From Mr M Woodward.

Sir, - I was interested in the survey on the M25 (October 23) since I often suffer the vagaries of this route from joining it at the A12 intersection to leaving it via the Uxbridge turnoff.

I will leave to others the analysis of the basic design shortcomings (apart from observing that the provision of "crawler lanes" seems sporadic and mean and causes much of the overloading of the west bound carriageway by the Aylesbury and Rickmansworth turnoffs).

I would, however, comment on the standard of management of this resource which seems to lack drive and imagination. Many readers will have noted "black Thursday" October 22 when up to a 25 mile tailback apparently occurred. I was in this for 10 miles and expected at the end of it to find a major disaster blocking probably all of the carriageway. This was not the case for on arrival at the final block, there was merely one lane coned off. Why was not the hard shoulder opened up at this point?

I and others have a feeling that an easy going attitude prevails and if there is a problem then "cone it off" and and ignore the consequences is too often the answer. Again, the normal housekeeping is neglected - too much debris litters the road (I have passed the same discarded tyre for 10 days running).

Unless the Department of Transport plans ahead to improve the short and long term bottlenecks and above all to manage effectively the resource we have, I can see this route becoming a matter of increasing disadvantage to those who have invested significant monies in property being served by it.

Michael F Woodward,
47 Barrack Lane,
Harwich, Essex.

New university in Hong Kong

From the Principal, London Business School.

Sir, - Michael Schwartz (October 27) bemoans the lack of a technical university in Hong Kong. As a member of the planning committee, I would like to point out that a new university is currently under way in Hong Kong.

It will have three faculties; science, engineering and technology, and business studies. A substantial site has been acquired on the eastern side of the New Territories; funds for the buildings have been provided by the Jockey Club and the Government. A vice-chancellor is shortly to be appointed and the results of a building competition will be announced next month. The initial size for the university is 7000 students, with the first entry planned for September 1991.

The university will be legally incorporated next April and the constitution clearly indicates the desire to ensure that it builds strong links with industry (including service industries) from the onset.

(Professor) P G Moore,
Sussex Place, NW1.

FINANCIAL TIMES

Friday October 30 1987

Brussels wields the blue pencil

BY QUENTIN PEEL IN STRASBOURG AND PETER BRUCE IN BONN

EUROPEAN Commission officials yesterday made a vain attempt to change the record of a speech by Mr Jacques Delors, the Commission president, in which he suggested that the US was prepared to let the dollar drop to DM1.60.

The remarks, which caused a sharp fall in the value of the US currency on Wednesday, were sharply criticised by finance officials in European capitals.

A sanitised transcript of the speech to the European Parliament was issued in Brussels, as senior officials stressed that it must be seen in the context of an urgent appeal for European economic growth and closer co-operation.

According to this new text, Mr Delors said: "Do not have any illusions. You will see the consequences for the Community budget, even if that is only a small affair, of a drop in the dollar to DM1.60 instead of DM1.80: it would mean an extra Ecu1.2bn in agricultural spending."

However, according to the parliamentary record - and the notes of journalists present - Mr Delors actually said: "Don't have any illusions. The USA are ready to let the dollar drop to DM1.60. That would mean an extra Ecu1.2bn on the Community budget for farm spending".

The "official" Commission version of Mr Delors' speech also dropped one sentence of direct criticism of the monetary policy of West Germany. On the subject of interest rates, Mr Delors had said: "Frankly, we must say that the Federal Republic has not been reasonable". There is no sign of that sentence in the official script.

According to the Commission version, Mr Delors simply said that "in real terms American interest rates were lower than German interest rates" - and therefore the Louvre agreement had not been successful in managing interest rate differentials.

Lord Plumb, British President of the Parliament, intervened to insist that the record be kept to the words as delivered in the assembly.

A West German Finance Ministry official called Mr Delors' remarks "entirely incorrect"; while the French Finance Ministry insisted they did not reflect the view of the Louvre signatory nations or of the French monetary authorities.

Mr Wim Duisenberg, president of the Dutch central bank, also criticised Mr Delors saying that those responsible for monetary policy should "in principle, refrain from remarks about the preferred level for the dollar or interest rates."

Commission headquarters in Brussels admited that Mr Delors did not know what the US Government planned to do about the dollar.

"The United States has no reason to consult him about its intentions," a spokesman said.

Meanwhile, Bonn continued to resist pressure yesterday to do more to boost domestic growth and, so, to reduce its large trade and current account surplus.

Mr Martin Bangemann, the Economics Minister, said West Germany was doing enough and that the current turbulence on world equity and foreign exchange markets should not be "trivialised or dramatised."

Quentin Peel looks at the call for economic co-operation

Delors delivers thoughtful plea

Jacques Delors

Seldom can a speech to the European Parliament in Strasbourg have aroused such instant and furious reaction as that of Mr Jacques Delors on the subject of the world financial crisis.

The focus of criticism, from Washington, London, Paris and Bonn, has inevitably been on his dramatic prediction on the dollar.

Yet his remarks were part of a much more thoughtful, if passionately delivered, plea for closer European monetary and economic co-operation, radical action to boost European economic growth and employment, and a new deal for Third World debt, which produced a spontaneous ovation from Euro-MPs.

Mr Delors, who made his name as French Finance Minister before he came to Brussels, founded his arguments on the need for the US to put its own economy in order by reducing the Federal budget deficit, and for Europe to match that action by taking positive measures to boost economic growth.

He argued that Europe was still not doing enough to speed up its economic growth, either to expand world trade - and therefore assist developing countries to repay their debts - or to absorb its own unemployment.

If Europe refused to expand, then the US would be faced with two choices: to let the dollar fall further, or relapse into trade protectionism.

He warned that with Japanese capital financing 60 per cent of the US trade deficit, there was an effective oligopoly, if not a duopoly, controlling the world economy. Europe was excluded because the US Government had to concentrate its major efforts on maintaining that Japanese financial support.

As a result, it was the European Community which was more frequently the butt of US trade action.

Mr Delors said the underlying causes of the latest crisis were twofold: the excessive liquidity in the financial markets, and the failure to tackle the debt problem.

He cited the fact that nine out of ten international transactions were purely banking transactions, not directly related to the creation of goods, services or jobs.

He called for far greater co-ordination of European economic and international monetary policy, citing the failure of EC member states to follow a common line at the last IMF annual meeting in Washington. Only France and the UK had supported each other for a common debt initiative.

One reinforcement of the European role in international currency relations would be to give the Ecu (European currency unit) the full status of a monetary reserve, he said.

A second key component would be a concerted European growth initiative.

The third element must be a comprehensive plan to tackle debt. That would require a redefinition of the concept of "conditionality" by the IMF. It would also mean that the commercial banks, which had made substantial profits from Third World loans in the 1970s, must now be prepared to advance additional new funds to tide the system over.

There must also be a comprehensive plan to increase the flow of funds at subsidised low interest rates, with an increase in funds for the IDA, and a special deal for sub-Saharan Africa.

US banks become net exporters of capital

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

US BANKS became substantial net exporters of capital from the United States during the second quarter of 1987, reversing flows in previous quarters when they had helped to finance the US current account deficit, according to figures published today by the Bank for International Settlements.

The Basle-based bank, owned by the world's major central banks, reported that growth in lending abroad by US banks outpaced the growth in their external liabilities.

Their assets and liabilities grew by $19.8bn and $11.6bn respectively, in contrast to a $35bn contraction in their net creditor position during the previous nine months.

The BIS said the growth in US banks' external lending was related to their expectations of a weaker dollar, which boosted borrowing of Eurodollars - dollars outside the US - for hedging or speculative purchases. This, in turn, pushed up Eurodollar interest rates relative to US domestic rates and sucked money out of the US.

The BIS figures show a record $70bn rise in new international lending - excluding interbank loans - by banks in industrialised countries during the second quarter, topping the $65bn of the previous quarter. The first half increase of $135bn compared with a gain of only $55bn in the same period of last year.

Of the second quarter total, $61bn went to borrowers in the industrialised world and more than half to Japan. The figures show that a substantial part of this lending was in effect financed by developing countries.

Developing countries outside the Organisation of Petroleum Exporting Countries increased their deposits by $14.6bn, although they received new loans totalling only a net $1.1bn. Included in these deposits of $5.7bn by Latin American countries which received only $1.5bn in net new credits.

OPEC members increased their deposits by $7.4bn while receiving new loans totalling $2.8bn.

Overall cross-border bank lending expanded by $173bn in the second quarter compared with only $81bn in the same period of 1986, mainly because of increased lending by banks to other banks, especially involving Japan.

Japanese banks, which typically slow their international activities in the second quarter, this year accelerated them sharply. The BIS said this was because of investments in foreign currency securities, to competition between Japanese banks on the size of their balance sheets, and to demand for funds from companies in Japan.

Details, Page 21

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UK Chancellor gives BP share issue go ahead

did not add to present difficulties in world markets.

He denied that this in any way bailed out the underwriters.

● The Bank of England was brought in as an independent assessor after two days of talks between the underwriters of the issue and the Treasury had thrown up a fierce division of opinion on whether the issue should go ahead or not.

The Bank is believed to have presented Mr Nigel Lawson, the British Chancellor, with its assessment of the options at around 5pm last night. It is thought the Bank recommended the issue should go ahead, but was keen that there should be special provisions which would transfer some of the risk from the underwriters to the central bank.

It is believed the Bank strongly advised the Government not to go ahead without any safety net because of serious concern about the liquidity of some financial institutions after the precipitous share price collapse on world equity markets over the last two weeks.

It is thought that the view was also expressed that, to go ahead with the issue against the strong urgings of the US and Canadian authorities, would have undermined Mr Lawson's many public statements recently in support of international cooperation.

It is also believed the Bank leant against the option of pulling out of the issue because this would have been too politically damaging.

Equity analysts said the decision to drop the issue could have risked further undermining confidence in financial markets which could have interpreted such a radical reversal of Mr Lawson's positive position on the sale as a sign that there were indeed serious strains in the financial system.

Indeed, one economist said that, to drop the BP sale, was a resigning issue for Mr Lawson, and, if perceived in this way, would seriously dent market confidence.

Intervention limits dollar losses

Continued from Page 1

present levels unless the US secured a sharp reduction in its budget deficit. Reported comments by Mr Jim Wright, the leader of the House of Representatives, suggesting that the White House was backtracking on its acceptance of tax increases, added to the uncertainties, although the remarks were subsequently denied.

The central banks themselves also appear uncertain as to what extent the dollar can be propped up in the absence of policy adjustments. Senior officials have been discussing the possibility of a Group of Seven meeting but appear to have accepted that it would be pointless until the situation in Washington becomes clearer.

Mr Claus Koehler, a director of the Bundesbank, acknowledged that the central banks were not trying to defend any particular rate for the dollar but rather to restore order to the markets.

The dollar closed in London at DM1.7280, sharply lower than the DM1.7530 seen at the end of European trading on Wednesday, although above its worst levels of the day. It also ended at Y138.15, down from Y139. In New York the dollar closed at DM1.7395 and Y138.75. Against the pound it closed at $1.7125.

Sterling continued to climb against the dollar, but lost some ground against other major currencies. It closed in London at $1.7305, 1 cent higher than on Wednesday, but lost 2.5 pfennigs against the D-Mark to end at DM2.9725.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	21	70	Dubrovnik	C	17	63	Malta	F	24	75	Rhodes	S	18	64
Algiers	C	22	72	Edinburgh	F	7	45	Manchester	S	9	48	Rio de J'o	S	27	80
Amsterdam	C	12	54	Faro	C	17	63	Manila	C	28	82	Rome	C	21	70
Athens	C	12	54	Florence	C	15	59	Melbourne	S	17	63	Salzburg	S	12	54
Bahrain	S	28	82	Frankfurt	S	12	54	Mexico City	S	26	79	San Francisco	R	22	71
Bangkok	R	32	90	Funchal	F	21	70	Miami	S	28	83	Seoul	C	17	63
Barcelona	S	20	68	Geneva	R	12	54	Milan	R	10	50	Singapore	C	25	77
Beirut	S	21	70	Gibraltar	S	19	66	Montreal	S	9	48	Stockholm	S	7	45
Belfast	C	10	50	Glasgow	F	8	46	Moscow	R	5	41	Strasbourg	C	11	52
Belgrade	R	9	48	Guernsey	F	11	52	Munich	C	8	46	Sydney	C	18	64
Berlin	S	9	48	Helsinki	S	7	45	Nairobi	F	28	82	Taipei	C	31	88
Biarritz	S	19	66	H. Kong	C	25	77	Naples	R	22	72	Tangier	C	19	66
Bombay	S	33	91	Innsbruck	S	17	63	Nassau	S	30	86	Tel Aviv	S	22	72
Bordeaux	S	14	57	Inverness	C	5	41	New Delhi	S	30	86	Tenerife	F	23	73
Brussels	C	11	52	Islamabad	S	30	86	New York	S	14	57	Tokyo	S	24	75
Budapest	S	7	45	Istanbul	F	7	45	Nice	R	17	63	Toronto	S	11	52
B. Aires	S	23	73	Jakarta	C	33	91	Nicosia	C	21	70	Tunis	S	31	88
Cairo	F	23	73	Jersey	C	11	52	Oporto	F	15	59	Valencia	S	21	70
Cape Town	S	22	72	Jo'burg	S	27	81	Oslo	R	7	45	Venice	C	12	54
Caracas	C	29	84	Lima	R	21	71	Paris	F	12	54	Vienna	S	6	43
Casablanca	S	19	66	Lisbon	C	16	61	Peking	C	15	59	Warsaw	S	7	45
Chicago	C	12	54	London	C	10	50	Prague	S	7	45	Washington	-	-	-
Cologne	C	13	55	Los Angeles	C	26	79	Reykjavik	S	-2	28	Zurich	C	11	52
Copenhagen	F	9	48	Luxembourg	FG	11	52								
Corfu	C	14	57	Madrid	F	10	50								
Dallas	-	-	-	Majorca	F	21	70								
Dublin	C	11	52	Malaga	S	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Continued from Page 1

Wall Street advances

the underwriters of the issue, was yesterday feverishly working out a compromise solution.

The Bank, as protector of the financial system in the last resort, is believed to have been concerned about the BP issue as an extra substantial drain on institutional liquidity at a time when markets have been in turmoil, a worry obviously shared by the Canadian and US governments.

Independent economists said yesterday that neither the option of going ahead with the issue with no safety net nor of pulling out of the issue completely would help stabilise the mood in the equity market.

US bonds gave shares on Wall Street crucial underpinning. Typically they would have sagged as the dollar fell but prices held up yesterday amid hopes that governments around the world were intent on pushing down interest rates and that there would be sufficient domestic demand at next week's Treasury auction to make up for any lack of foreign interest.

UK Government bonds, which have been tracking the US market closely, ended about ¾ point higher.

Reagan names new Supreme Court candidate

By Lionel Barber in Washington

PRESIDENT RONALD Reagan yesterday announced a new Supreme Court nominee to replace his defeated first choice, Judge Robert Bork.

The President presented Judge Douglas Ginsburg, 41, a former Havard Law School Professor and head of the Justice Department's anti-trust division, to more than 200 business, legal and political figures at a White House ceremony.

The choice of Judge Ginsburg is a victory for Mr Ed Meese, US Attorney-General, who urged the President to nominate a conservative judge as close to Judge Bork as possible and to stand firm against liberal pressure groups' opposition.

Mr Reagan called on the US Senate to confirm Judge Ginsburg as soon as possible and to avoid the delay surrounding the Bork nomination which led to a bruising four-month battle, ending last week in a 58-42 vote against the nominee, the heaviest defeat in history.

The President, decrying the political battle over Judge Bork, said it was vital to have a quick confirmation: "If these hearings take longer than three weeks to get things done then the American people will know what's up."

Judge Ginsburg, who is Jewish, is attractive because he is young enough to take full advantage of life-long tenure. He would be the youngest Supreme Court justice since William Douglas, the famed liberal, joined the court in 1939.

But his age could raise questions about his experience. He was only nominated to the US District Court of Appeals in October 1986.

A former graduate of the London School of Economics, Judge Ginsburg once clerked for Justice Thurgood Marshall, the only black ever to sit on the court and who at 79 remains one of the four liberals left on the bench.

The Supreme Court seat fell vacant in the summer when the moderate conservative from Virginia, Justice Lewis Powell, 79, announced he was resigning on health grounds. Justice Powell was widely seen as a swing vote on the nine member court because of his moderate views on social and civil rights issues.

Judge Bork's rejection was a severe blow to President Reagan's hopes of molding a conservative majority in the nine-member court.

US nears agreement on EC beef ban

By Tim Dickson in Brussels

THE US seems poised to accept a European Community plan which will allow most member states to postpone a controversial ban on beef produced with hormones.

The prohibition, agreed in principle in December 1985 but not due to come into effect until January 1 next year, has deeply angered the US which has said that more than $130m of meat exports (produced with the aid of "growth promoters") will be prevented from entering the EC after this date.

It says the ban was politically inspired and has no scientific basis.

Intense diplomatic efforts have been made to persuade the EC to overturn its decision - including the explicit threat of trade retaliation - but Washington now accepts that the best it can hope for is a delay in the law's implementation.

The European Commission has officially refused to admit that negotiations are taking place; but officials privately confirm that under the compromise individual member states will be allowed to defer application of the new rules for a given period, probably either 12 or 18 months.

The matter could be decided by the Commission's veterinary committee on November 10 but may require EC Farm Ministers to make an overt political decision a week later.

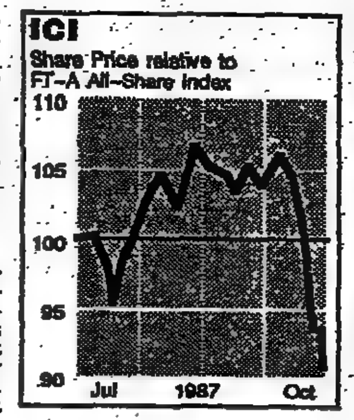
The delay will be justified on the grounds that from January 1 there will be large quantities of hormone impregnated meat (not least in the Community's own "intervention" stores) which will have to be "washed out" of the system.

France, which is worried about the effects on internal European trade, has been pushing particularly hard for such a deal with the US.

The US is still understood to be concerned about some of the outstanding details - notably how many countries will take advantage of the delay - but one close observer indicated last night that an agreement was now "very, very likely".

THE LEX COLUMN

Not eye to eye with ICI



When the chairman of ICI described himself as "narked" yesterday by the behaviour of his share price, he was speaking for a large part of British industry. To have one's shares fall from £16.40 to £10 in three weeks is one thing. To see them fall further in response to record nine-month profits of £1bn - in a rising market, at that - must be genuinely vexing.

The viewpoints of the company and the market are classically opposed. Self-evidently, nothing has happened to ICI's trading prospects in the last three weeks which could justify a 40 per cent fall in its value. The company is alsoconfident about the health of its markets for at least the rest of the year. But in its bear phases, the market treats industrialists' forecasts with something like contempt. The last three weeks - and the current year's trading - are mere history. What matters now is that ICI has a quarter of its sales in the US, is heavily exposed to currencies, and is in the boom phase of a cyclical industry.

As ICI patiently explains, it is not quite that simple. The cyclical part of its business is the commodity end, and in the US, where a recession is most to be feared, the group sold out of commodity chemicals entirely back in July. In Europe, where its commodity business collapsed overnight in the recession of 1980, it really should be different this time round. Then inflation was rampant, the oil price was rocketing, there was enormous industry overcapacity, the company itself was overmanned and the crucial DM exchange rate was nearly 5 to the pound. Now the oil price is stable, demand exceeds capacity, the UK workforce has been halved and sterling is pegged at DM 3. In any case, the group's reliance on commodity rather than speciality chemicals has fallen sharply in the pastfive years.

But in the present mood of the market, that kind of argument is so subtle as to be irrelevant. Besides the fact that ICI is a big liquid stock which can be easily unloaded in a panic, there is a strong xenophobic streak to markets under pressure. One reason for the strong relative performance of stocks like Bass and Marks and Spencer is that beer-drinking and retail shopping are domestic activities which can be kept under review. ICI, by contrast, deals in obscure chemicals in strange parts of the world. There will come a time when ICI at under £10 looks a remarkable bargain, but it could be the other side of Christmas.

Markets

The directions of markets - both securities and foreign exchange - are now wholly in the grip of swings in sentiment among their participants. But there appeared to be a sharp divergence in mood between the two yesterday. While equities in the UK and US were managing to feel more optimistic, currency dealers were more bearish than ever on the dollar.

The reasoning behind a more cheerful equity market, despite downward revisions of forecasts, was that the falls already seen more than discount the reduced expectations. The FT-SE 100 index has not only dropped below its January 1 level but also (since the market peaked early last year) closed last night 35 points under its high in April 1986. With 18 months of earnings and dividend growth since then, an outlook not that much worse, and a yield gap back in the bounds of sense, it might be right to pick up equities now, if only to average down.

This more sanguine view could switch back to misery just as rapidly. And it is hard to see how the mood can long co-exist with the dismal scene in currencies. There the sensibilities of traders were repeatedly jolted yesterday by a string of statements from central bankers, politicians and opinion formers. Remarks supposed to be comforting - such as that the US stands by the Louvre accord - were disbelieved. Those seen to be bearish were seized on, and no doubt taken as far out of context as Jacques Delors complained his speech was on Wednesday.

The continued lack of firm, credible news on cutting the US budget deficit, which is now seen rightly or wrongly as the key to the world's problems, is a daily drain on what little confidence remains. And the obvious disagreement between the G7 finance ministers - with the UK likely to cut interest rates again while West Germany and Japan dig their heels in - reflects no credit on any of them. A show by the politicians that they treat the situation as seriously as the markets do could swing the mood back to equilibrium, if not euphoria.

Institutional flows

The sheer scale of institutional investment behind the run-up in UK share prices to their peak in July is vividly illustrated by the flow of funds figures for the second quarter, released yesterday. UK pension funds in particular seem to have thrown caution to the winds, piling into equities at a time when the reverse yield gap was steadily widening. Total institutional investment in UK equities jumped from £1.4bn to £4.0bn between the first and second quarters of 1987, and UK pension funds alone channeled a record £2.9bn into the UK stock market in the second quarter.

For the past nine months, the pension funds have been getting out of gilts and putting the bulk of their money into equities. The latest figures show that, in spite of the general rise in worldwide stock markets, UK pension funds have been betting heavily on the domestic market. Whereas in 1985 and 1986 an average 40 per cent of their share buying had been overseas, this fell to less than 10 per cent in the second quarter of this year. Given the 27 per cent drop in UK equity prices over the past couple of weeks, there will probably be some nasty post mortems over the recent investment strategy of many pension funds.

Although net sales of unit trusts slowed in the second quarter, they sharply increased their investment in the UK equity market, overtaking the insurance companies as the second biggest institutional buyer of UK shares. Whether they can retain this position, following the recent collapse in share prices, is one of the biggest uncertainties facing a UK stock market which is desperately short of liquidity.

هكذا من الأصل

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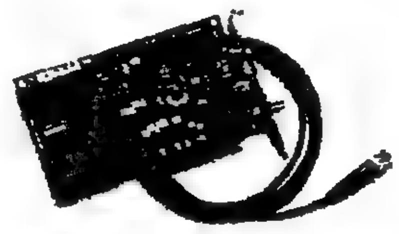

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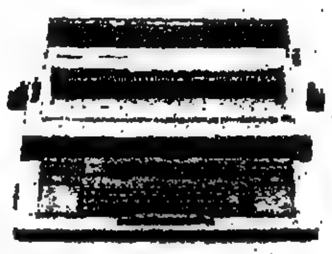

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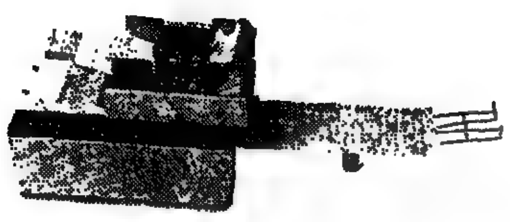

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Portugal

There is a new confidence about in Portugal. The Cavaco Government is making the most of a rare period of political stability, an improving economic climate and smooth transition to EC membership. But there could be a few problems ahead, says **David White**

New mood of confidence

"THE PROBLEM," a well-known columnist wrote the other day in the weekly paper Expresso, "is the increasing shortage of problems. Portugal always was, traditionally, a country full of problems. Now we suddenly see that many problems have already been resolved and that there is a manifest desire to resolve, before long, the few problems left to us. What will become of us without our problems?"

Anyone returning this autumn after being in Portugal, say, three years ago, would think the whole country had taken a large dose of anti-depressant pills. On a weekend he could witness motorists parking on the hard shoulder of the motorway from Lisbon to Sintra in order to shop at a new hypermarket. He could read newspapers fat with job advertisements. He could find secretaries, still earning miserable wages by any other European standards, investing in shares, and a stock market, long ignored by the world in general and Portugal in particular, having to stay open late into the evening to clear the orders.

When Portugal, back in 1984, was strapped down by an IMF-designed austerity programme and terrorised by inflation, the rage was a little white-haired lady known as Dona Branca who offered monthly interest of 10 per cent on deposits (she is now in prison awaiting trial). Notwithstanding recent tremors from Wall Street, the stock exchange outperformed even her.

Money deviously stashed abroad has been coming back. Reserves of foreign currency, together with gold, at current market prices, are by now not far short of covering the $16bn foreign debt. Companies have been investing in new production capacity. Car and commercial vehicle sales, property values and household consumption have all soared.

The new confidence is based on a particularly fortunate conjunction of circumstances. In a generally improved economic climate after the fall in oil prices, Finance Minister Mr Miguel Cadilhe can boast of Portugal's recent performance as "the best in the OECD." Unemployment and inflation have both come down. EC entry last year has given business its bearings so that it can plan ahead, and Community funds have begun to make their impact. Finally, as if this was not enough, Portugal awoke after general elections on July 19 to a measure of political stability unknown since the 1974 revolution.

After 13 years in which Portugal got through 16 governments, it voted its first single-party majority to consolidate the Social Democrat Party (PSD) administration of Mr Anibal Cavaco Silva. As a result the political horizon has cleared. The Prime Minister's "cohabitation" with Socialist President Mario Soares appears remarkably smooth, the latter evidently at ease in his role. Opposition to the PSD on both sides is out of joint.

To the left, Mr Alvaro Cunhal's orthodox communists took a heavy blow and the socialists, under the leadership of Mr Victor Constancio, former governor of the Bank of Portugal, are in some disarray. To the right, the Christian Democrats, who have just reincorporated the unsuccessful presidential candidate Mr Diogo Freitas do Amaral, are waiting for resurrection.

Since Portugal's EC accession a whole cycle has ended. Mr Soares' takeover from President Antonio Ramalho Eanes marked the exit of the armed forces from the role they assumed in 1974. With this year's elections, Gen. Eanes, a transition figure who in a stable democratic environment would never have emerged from his army career, lost his bid to remain in the scene.

Portugal has locked its recent past away. When the man who orchestrated the "carnation revolution," former major Otelo Saraiva de Carvalho, was jailed in rather pathetic circumstances for links with an urban guerrilla movement, it caused barely a rumble.

Perhaps the Portuguese are in for an era less dominated by politics. But the circumstances of Mr Cavaco Silva's victory also shows up the volatile nature of the political process. In October 1985 voters punished the socialists in general elections. The following February they swung back to elect Mr Soares as President. Less than 18 months later, in a country where the existence of an overall left-wing majority used to be considered axiomatic, they gave the centre-right PSD a clear 50 per cent of the ballot.

Mr Cavaco's remarkable rise, borrowing somewhat from Mr Jacques Chirac's promotion campaign in France, also attests to the traditional Portuguese tendency for "personalismo." This not only implies allegiance to personalities rather than principles but also the characteristic that the allegiance can be abruptly dropped. The maverick Democratic Renewal Party (PRD), formed around Gen. Eanes, won 45 seats in its first election two years ago. In July its share dropped to seven.

The maxim that "anything can happen in Portuguese politics and usually does" was vindicated, especially in the way the election came about in the first place: a bungle over a Soviet tour by a parliamentary delegation, which was all ready to go to Estonia when the foreign ministry remembered that Portugal did not recognise Soviet rule there.

Gen. Eanes seized this as a chance to regain the limelight, withdraw support from the minority government and bring it down with a censure motion. The incident harked back to the days when upsets in Portugal were a stock joke in Paris vaudeville.

When a 19-year old West German lands his Cessna in Red Square, Soviet marshals fall. When Portuguese MPs go to the Soviet Union, the Portuguese Government falls.

The puzzling part of it was that the opposition was playing into Mr Cavaco's hands. The PSD was able to increase its seats in the 250-member single-chamber parliament from 88 to 148, ending a long run of coalitions and minority administrations.

"Cavaco has luck. That's important in politics," one of his predecessors commented. In his two years as Prime Minister Mr Cavaco has profited from the sufferings of the previous Soares Government, which in retrospect overdid the austerity. With one of the strongest majorities in Europe, he stands a better chance than his predecessors of achieving his programme.

He has also shown signs of more assertiveness in foreign policy, challenging Washington on the volume of aid Portugal receives in exchange for the US air base in the Azores.

Aims include reducing the state sector, taking on the communist trade union lobby with changes in the labour laws, reforming the tax system and bringing further deregulation in an already-transformed financial system.

All-out privatisation depends on a constitutional review, due at the latest next year, and on socialist support in order to provide the two-thirds majority required for changing the text and dropping the "irreversible conquests of the working classes." In any case, Mr Cavaco has made clear that nationalised services will stay in state hands and that other sectors such as steel and shipbuilding are in too bad a state to be privatised.

But in the interim the Government is confident that the legal ground is clear for selling minority stakes, probably in the first instance in uncontroversial companies such as Marconi, where the state has a majority, or state-owned breweries. It is also preparing to transfer state newspaper interests and to make room for a private television channel.

Mr Cavaco is counting on a new mentality in the private sector, no longer waiting for state guidance or handouts, and a continued investment boom to sustain four per cent a year growth in the economy. Senior officials admit it will be difficult - but not, they say, impossible - to reconcile this expansion with the other objectives of bringing the country's current nine per cent inflation down further, and of cutting the government deficit.

Some obvious hazards lie ahead, both in economic management and Portugal's inclusion in the Common Market. Officials aim to bring the boom in consumption under control through a mix of monetary curbs and a tough 1988 budget, expected to include increases in indirect taxation. The Government wants to keep wages next year in line with a six per cent inflation target, but will come up against the rising expectations created by recent improvements in real earnings.

Concern about the volume of "hot money" coming in has already been shown by measures earlier this month to discourage speculative movements on the stock market. Analysts consider Portuguese blue-chip shares to have become grossly overvalued, partly because of foreign funds, and have been waiting for an ebb tide.

Others see potential balance of payments problems re-emerging as a result of a yawning deficit with the rest of the EC, which now takes more than 70 per cent of Portugal's exports and supplies 65 per cent of imports. This year the current account balance is expected to stay in surplus to the tune of about $400m, but a return to the red is not ruled out next year.

The initial membership period has been smoother than many expected, but these are still early days. Agriculture, most of which is given until 1990 to prepare itself, is not considered by experts to be making the rapid adaptation required.

It could be that Miguel Esteves Cardoso, the columnist quoted at the beginning of this article, is wrong after all, and that Portugal will not have to go out of its way to invent new problems.

For Mr Anibal Cavaco Silva, a clear political horizon

CONTENTS

An expansionist-minded Government induces euphoria despite some less rosy news

Moving nearer genuine market forces

The Portuguese Finance Minister, Mr Miguel Cadhile, is wooing foreign industrialists to set up businesses to boost internationalisation

"COME TO my country and make money," is the siren song of Mr Miguel Cadilhe the Portuguese Finance Minister, to foreign industrialists he hopes to persuade to set up shop in his country.

A great deal of money has been made already by foreign and Portuguese punters on the newly-fashionable, booming stock markets in Lisbon and Oporto - places most hot money ignored not long ago.

Suddenly and a little faddishly this small but swelling segment of the economy has become internationalised.

The authorities have become worried about the breakneck pace and dazzling prices at which companies are auctioning equity - with 100 public offers of sale scheduled between now and December in circumstances where companies are still not compelled to provide exhaustive information about their financial status before and after they go public.

They are worried about the invasion of foreigners clamouring for whatever paper is going and willing to buy anything over the counter so long as it is Portuguese, about settlement delays and almost unbearable strains on the market's modest structures, and on understaffed not yet fully-automated capital markets departments of banks and on grossly-overworked brokers.

Recently the Finance Minister warned that a market restructure is imminent, including imposition of capital gains tax on share profits, severe penalties for insider trading and other abuses and immediate entry into effect of a new Stock Market Auditor-General with powers to inspect market and brokers' activities, combat parallel markets and illegal manipulation of share prices.

No one was prepared for the sudden, surprising boom and euphoria that extends beyond the stock market to consumers now spending so hectically that private consumption rose 10 per cent in a year. Buying virtually anything, from perishables to durable consumer goods, new cars, increasingly-expensive restaurant meals, overpriced new clothes and new houses or flats has never been so irresistible in Portugal.

After bouts of severe depression, real wage gains and a belief encouraged by a strong expansionist-minded, government majority that good times are not only here, they will continue into the distant future have sent once pennywise people scurrying in search of ways to part with their cash.

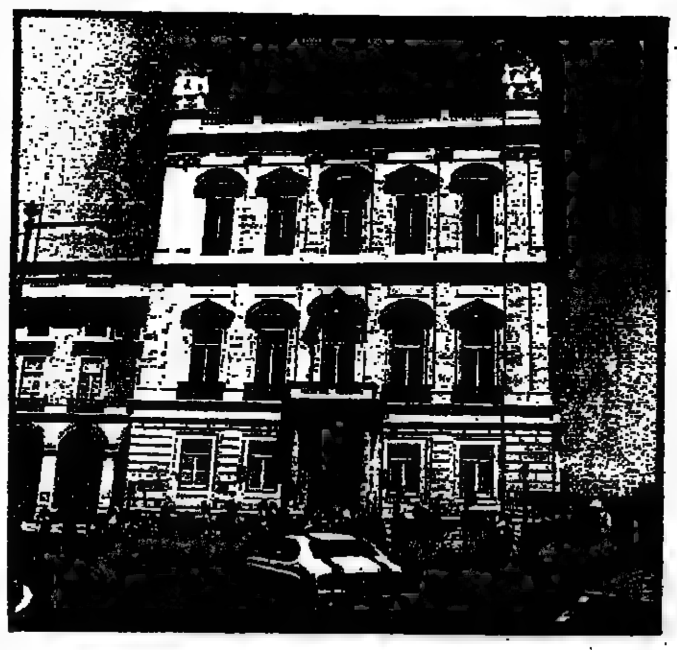
To the casual onlooker the economy looks rosier than it has in decades. But is it that healthy?

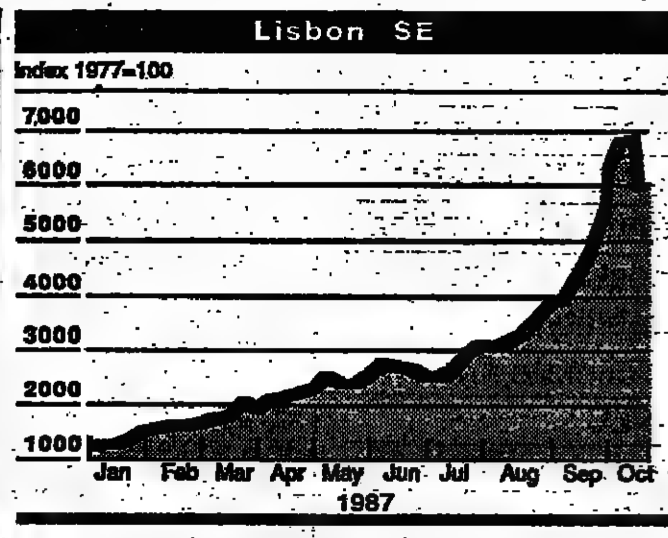
In some respects, yes. Inflation dropped ten points in two years, no mean achievement for a country with low production levels, rising costs and an endemically-inflationary budget deficit and accumulated public debt about which you hear little just now, but which has not gone away.

By the end of this year there should be 9.3 per cent inflation - higher than the Government's optimum target of 8 per cent but close to the 8-9 per cent range they aimed at. All being well in 1988, inflation will drop to about 6.5 per cent, gradually approaching EC averages.

Investment will grow 14 per cent this year, making up some of the distance lost earlier this decade in periods of stop-go growth shrouded in political uncertainty.

Industrial and agricultural production are picking up but the former, with an increase of 2.8 per cent in the first half of this year, compared to consumption growth of over 5 per cent in the same period, cannot keep pace with feverish demand.





Lisbon Stock Exchange (left): the Government is worried about settlement delays and strains on the market's modest structures because of over-worked brokers

Which brings us to less-rosy news. Import demand not surprisingly, has soared, fuelled by eager consumption and by disappearance of customs tariffs on a vast range of goods, in the wake of EC accession.

By June imports had grown 43 per cent in dollar terms, renewing pressure on the balance of payments thaat eased when oil prices dropped and grain imports cooled thanks to better national crops.

Encouragingly, proving that Portuguese industry is not losing heart in the face of ever-stronger competition from E C manufacturers, exports also grew in the first half of 1987 - by 37 per cent in dollar terms.

Boosted by a spectacular rise in foreign investment - Es 41bn ($290m) in direct foreign productive investment not counting real estate, was registered by September, three times more than 1986 and almost half the entire foreign investment stock since records began - by skyrocketing tourism earnings likely to be $2bn this year, by emigrants' remittances of more than $1bn and by the confident return of several billion dollars that flew the country in revolutionary times or more recently went in search of profitable remuneration abroad, this year's balance of payments on the current account should hover modestly in the black.

By 1988 a modest deficit is expected: manageable as long as invisible earnings remain buoyant, exports continue to perform briskly, and strong investment in infrastructures and production starts to pay off.

The economy is under new, confident management whose spirits are buoyed by an unprecedented surge in foreign currency reserves of $2bn in August. Now embarking on a long-range plan destined to correct endemic external deficits, foster job creation and modernise production, the Cavaco Silva administration is paring the $16.5bn foreign debt, preparing to make a $700m early payment on this large but now less-unnerving obligation which once equalled 80 per cent of GDP and now hovers at about 62 per cent. The rising price of gold and surge in foreign currency reserves have been a boon - gold plus currency reserves now cover almost $14bn, leaving a net foreign debt of only $2.5bn.

The management's worst problem - and the country's greatest stumbling block to the rapid growth and heavy productive investment it needs in infrastructures, industry and agriculture is the Behemoth that lurks in the shadows of the economy - a budget deficit that distorts overall financing needs, and an accumulated public debt whose servicing devours an undue proportion of state resources.

Bloated and lethargic, for the past 12 years the public debt has grown from nothing to Es 3.26 trillion ($23bn)in 1986. Gross National Product in 1986 was Es 4.18 trillion ($29bn).

Servicing this voracious creature keeps the state accounts in deficit: there has been enough rationalisation or containment of public investment and expenditure in recent years to produce a balanced budget were it not for a giant debt that detours resources needed to bolster the future, not to service the errors of the past.

Economic growth of more than 4 per cent a year since 1985 has lightened the relative weight of the deficit from a perilous 13 per cent of GDP in 1982 to 9 per cent in 1986. This year it should be about 7 per cent.

But this is still an excessive burden for a small country that needs to take giant strides to catch up with EC partners.

The genesis of the debt was marxist-oriented nationalisation of 53 per cent of Portugal's gross fixed capital formation in 1975, without a thought for how the state's new acquisitions would be productively rather than politically managed.

Continual civil service overmanning of a horde of new public departments, slack management of nationalised enterprises characterised by unsound investment in mega-industrial projects now being written off as white elephants, like the Sines petrochemical complex, and heavily-increased steel production in declining international markets and lack of the political will or technical means until after 1985 to change saddled administrations and taxpayers with a financial burden for which they must pay in the coming decades.

The Cavaco Silva administration intends to reduce the burden through gradual privatisation. Money raised from sale of part of the capital of a handful of profitable nationalised concerns will be applied to reducing the debts of other companies. In turn these concerns, once their finances are straightened out, will have part of their capital put on the market. In time, state ownership of industry will shrink.

Corporations like Marconi (part of whose capital is already in the hands of the public), the tobacco monopoly Tabaqueira, the two nationalised breweries, Centralcer and Unicer, the Cement corporation Cimpor, the pulp manufacturers Portucel and the stronger nationalised banks like Banco Portugues do Atlantico, will not be rushed onto the stock market.

The Government is taking its time and consulting market experts: it may test the water with the least difficult of candidates for privatisation: Marconi, already a market star. Sale of a sizeable chunk of the state's holding in Marconi could raise as much as Es 100bn early next year - a neat windfall to pay off the debt of some less-fortunate public corporation like Quimigal, Setenave or Siderurgia Nacional.

Next year will be a watershed by all accounts, when privatisation becomes a reality not a campaign promise.

Behind this radical reform, others are needed, like theconversion of a bureaucracy which in a land now consciously-democratic politically, occasionally throws its weight and red tape at private enterprise. Senior bureaucrats are not above threatening businessmen with worse red tape if they air complaints to the media.

There have been encouraging improvements in areas like approval of foreign investment, and little by little a genuine market force is emerging, however, challenging the old rule that "Thou shalt do nothing until the central administration authorises it". **Diana Smith**

Consumer prices

Es bn	Annual consumer prices	1981-86 % change
1981	120.00	
1982	147.30	22.75
1983	184.30	25.12
1984	237.60	28.92
1985	284.20	19.61
1986	317.60	11.75
1987	forecast	+9.00
Monthly Jan-Aug 1987		
Jan/87	335.20	1.21
Feb/87	338.60	1.01
Mar/87	343.30	1.39
Apr/87	345.00	0.50
May/87	345.30	0.09
Jun/87	344.30	−0.29
Jul/87	345.40	0.32
Aug/87	349.20	1.10

Foreign exchanges reserves (1981-1987)

Annual 1981-1986

US $bn	Foreign Exchange
1981	487
1982	457
1983	353
1984	475
1985	1,345
1986	1,354
Monthly 1987	
Jan/87	1,488
Feb/87	1,531
Mar/87	1,455
Apr/87	1,272
May/87	1,532
Jun/87	1,645
Jul/87	2,184
Aug/87	2,500

Population growth

1981	9,860,000
1982	9,930,000
1983	10,010,000
1984	10,090,000
1985	10,230,000
1986	10,290,000

Balance of trade

Es (bn)	Exports	Imports	balance
1981	4.081	−9.121	−5.060
1982	4.122	−8.984	−4.862
1983	5.224	−7.624	−2.400
1984	5.206	−7.233	−2.027
1985	5.685	−7.142	−1.457
1986	7.209	−8.844	−1.635

Industrial production (1981-1986)

	1980=100	% change
1981	102	
1982	106	3.92
1983	106	
1984	105	−0.94
1985	110	4.76
1986	116	5.45

Finance and banking

Market conditions begin to emerge

DIVERSE FINANCIAL instruments were once as rare as hen's teeth in Portugal.

Savers could earn a bit on time deposits. Banks could earn a bit on loans. Timid, patient punters could slowly earn a penny or two on shares or save government paper on the comatose Stock Exchange.

And that was about the size of it. But there is no time for somnolence on today's financial markets where all the signals are set at go.

A new generation of bankers, investors, traders, brokers and analysts surrounded by high-tech toys, is flourishing in not quite a Big Bang but still a resounding snap, crackle and pop.

It began with bond issues early this decade, grabbed by institutions and general public alike. By the mid-1980s the pace quickened. New Portuguese and foreign banks entered the market. The interbank money and foreign exchange markets were born.

And then, the Stock Exchanges in Lisbon and Oporto stirred and shook off a decade of sleeping sickness. The government of the day granted tax incentives to small investors and to companies deciding to go public.

Restored confidence in Portugal's capacity to right a battered economy ,and EC membership, spurred a new capital markets mood. Businesses turned from expensive high interest loans - now running at real rates of 9 per cent above inflation - to bond or share issues or public offers of sale as a cheaper way to raise money.

Stock exchange trading began to bubble, rising from the equivalent of a few thousand dollars a day to $1m by mid-1986 to the peaks of more than $22m a day this month.

In 1985, the public had just over 20 stocks to choose from: today 55 companies are listed in Lisbon. More are queueing to issue shares. Punters who once considered football pools, Lotto pools, gambling casinos or the brief reign of the now-jailed Dona Branca, the little old lady who paid 10 per cent a month interest to "investors" in a pyramid scheme that crumbled around her and the investors three years ago, as grand ways to get rich quick now avidly study the daily Stock Market form.

Newspapers that once ignored the financial side of life have raced to introduce Stock Market pages. Radio and T V stock market bulletins are issued daily.

Parallel markets, inevitable in a country where getting around bureaucratic regulations is as keen a pastime as imbibing some of the least-known, tastiest wines in Europe, have sprouted in cafes and restaurants.

There, deals are set up that by-pass brokers and the efforts of the Stock Exchange Commission and the Government to tidy up trading.

Speculators make massive orders to buy shares that on any given day are not available for trading under a regulation that prohibits trading if less than 20 per cent of quoted stock in a given company is being offered for sale. Even if a company's stock is not traded that day, the prices are often forced up 10, 100, even 600 times par value. Come the orders go sell and fortunes are made.

Nowadays share prices, even when they are not manipulated by speculators descending on stock like a swarm of bees after honey, are not yet closely connected to company performance.

That will come: sophisticated foreign institutional investors have moved in. Mega-investments like the new $40m 'Portugal Fund', a closed-ended fund available only to foreign institutional investors, operated by Lloyds Fund Management, by virtue of their very size, alter the shape of demand and polish the quality of paper on offer.

Shares in companies with solid prospects, good dividends for new Pension Funds now being developed in Portugal have started to overtake the paper of less-well performing companies. More solid, less manipulative, demand is gradually emerging.

Increasing demand for quality has encouraged good medium-sized private companies to make capital increases via the market instead of in private.

But privatisation of public sector companies, keynote of the policy of the Cavaco Silva government, will be the strongest tonic for the capital market within the next year - the time it will probably take to sort out the legal, accounting and bureaucratic tangles of putting on to the market part of the capital of companies nationalised overnight without economic rationale or due process of law, in 1975.

Many of the companies' former owners have not yet been fully compensated for seizure of their assets, and only now is the share value of these assets being calculated in some cases.

But work has begun discreetly with cooperation between private market experts and official bodies, on preparation for privatisation next year.

When it happens, supply will begin to catch up with frantic demand. So much of Portuguese enterprise was nationalised 12 years ago either directly or indirectly that on its own, the small but energetic private sector would have trouble furnishing the market with sufficient stocks.

The small but steady whirlwind on the capital markets has imposed different demands on banks whether nationalised, private, Portuguese or foreign. They now need sophisticated staff - people who are market-oriented, knowledgeable about trading techniques and not hamstrung by bureaucratic rigidity once characteristic of most Portuguese banking institutions.

Finding skilled market-minded people has not been too easy in a country where less than five years ago a market of rapidly-changing instruments was something you read about in the socialist press of other countries,

New university courses are churning out bright young things of both sexes keen to try their hand in Lisbon or Oporto share dealings, but the imbalance between demand and supply in this area is almost as dramatic as on the market itself.

The price of human resources has begun to spiral as frantically as the price of shares: salaries are now being offered to suitable candidates that would have made a Portuguese company owner ill.

With competition building up at a rate that requires increasingly fast thinking just to stay on the same spot let alone outdistance the rest of the field, nationalised banks are streamlining and facing tough facts - that protectionism must dwindle with the beginning of the end of protective EC transition periods, that the Government will no longer bail them out or cover up for them when they run up heavy losses. Some nationalised banks have moved from loss to profit in the last two years. Those that were already profitable haved improved further.

New private Portuguese commercial or investment banks starting with smaller carefully-selected staff and heavy investment in technology, have justified the faith of the Northern businessmen who founded them a couple of years ago

The new foreign banks, wielding long experience in world markets and not above flashes of temper when feeling thwarted by local conditions have made a big impact. The fact that Manufacturers Hanover plans to become a fully-incorporated Portuguese bank soon and to offer part of its capital on the Stock Exchange is a sign that the international banking community wants a lasting, high-profile presence in Portugal.

The two foreign banks already established - Credit Lyonnais, which set up a Portuguese subsidiary 100 years ago, and the Bank of London and South America, in Portugal for 164 years, which became Lloyds Bank Plc a few years ago - have raised their profiles and joined today's competitive fray with visible relish.

A form of market force has begun to emerge, albeit conditioned by the need to manage inflation and the huge financing requirements of the state, public sector losses and budget deficits that distort the system and may go on doing so for some years.

Even so, barring bursts of bureaucratic intervention , Portugal has begun to look like a place where financiers can work up a good day's sweat, jogging after business that did not exist not long ago.

Diana Smith

"Joining the competitive fray (in Portugal's banking sector) with obvious relish": the famous black horse of Lloyd's Bank of London (and South America) subsidiary aboard a Lisbon tram.

Investment

A revival at last

IF THERE is one area in which Portugal has clearly harvested less than Spain in the first two years of EC membership, it is the volume of foreign investment. But if the record is modest by comparison, it is beginning by Portugal's own standards to look like a boom.

Direct investment from abroad, whether from EC companies or from outside interests seeking a new foothold in the Community, has been favouring Spain in a ratio of about 10 to 1, out of proportion to the two countries' relative size. Last year, a rather dry one for Portugal's incoming investment and a bumper one for Spain, it was more like 15 to 1.

But the inflow into Portugal has since recovered strongly, already reaching a record $300m this year and regaining the growth path it was on in 1985. This volume should also be seen in the context of past experience. According to Dr Raquel Ferreira, who heads the Government's foreign investment institute, the stock of foreign investment "since the beginning of the universe up to EC entry" was little more than $1bn. Since accession on January 1 last year, Portugal has increased that total by about half.

Since last year, the country has been enjoying a remarkable investment revival, and foreign companies are not missing the party. Portugal's corporate spending spree reflects an upsurge of confidence based on a combination of factors: an improved economic climate, longer-term planning now that Portugal is securely inserted into the EC framework, new market opportunities, sharp increases in company profits, declining interest rates, and the arrival of an unexpected measure of political stability.

Overall investment in Portugal this year was originally forecast to grow by 11 per cent, but the rate is now expected to be at least 14 per cent. The Government's aim - ambitious at a time when it is trying to restrict its budget deficit and bring inflation down to EC levels - is to keep investment rising at twice the 4 per cent-a-year target growth rate for the economy as a whole, and it is counting on a solid foreign component.

Direct foreign investment in the first nine months of this year totalled Es41.2 bn($290m) compared with only Es15.8 bn at the same stage last year. The most obvious change in the composition of this total is the place taken by Spain. A year ago, Spanish investment was half Britain's, but it is now about the same - Es9.19bn against UK investment of Es9.24bn in the January-September period.

The flow of investment from Spain is attributable to two main sources: on the one hand, multinational groups such as Saint-Gobain of France investing through their Spanish subsidiaries, and on the other Spanish companies worried by the potential competitiveness of the Portuguese imports that can now enter their own market, and responding quickly in order to reduce the impact on their business.

The UK and Spain - respectively, Portugal's chief traditional ally and chief traditional bugbear - dominate today's investment picture. Projects involving UK companies such as Courtaulds, Tate and Lyle, Wiggins Teape and RTZ have ensured a continued high profile for Britain in the last few years. US investment in Portugal in the first nine months, at Es4.32bn, was less than half the British figure.

Behind the US comes West Germany with Es3.38bn in the nine months, and France with Es2.99bn. Japan, although its investment has increased and although industrial companies have made inquiries, lags well back. Dr Ferreira is hopeful that a Japanese tourism project in Sintra, the hill resort outside Lisbon, will help to motivate others.

Most of the investment - more than two thirds so far this year - comes from companies already installed in Portugal. Their new projects have multiplied threefold in value, accounting for most of the growth. Investment in new companies has doubled but remains relatively modest at Es7.1bn during the nine months.

Acquisitions have increased more slowly, standing at Es5.3 bn between January and September. Although there has been considerable takeover activity in sectors such as foodstuffs, Dr Ferreira does not see the same buying stampede as in Spain, where fresh capital and management techniques can be put to effect in many companies which are basically sound but have been accustomed to a highly-protected market. Her doubts as to whether the same opportunities exist in Portugal are not shared, however, by Mrs Helen Gray de Castro at the financial services company Deca, which is developing a mergers and acquisitions business. She sees the obstacles not in any shortage of suitable target companies but in the difficulty of obtaining information and in the rigid labour rules which still prevail.

Tourism accounts for the largest single slice of new investment, but a large part also goes into traditional industrial sectors such as shoes and textiles. Typical is the recent decision by the British Clarks group to add a £3m new facility at Oporto, doubling its workforce to 1,200, in order to produce shoe uppers and eventually complete shoes, farming work out to Portugal that would be too intricate to be done cost-effectively in the UK.

Portuguese wages are expected to remain for the foreseeable future below other EC countries. But competition from other regions such as South-East Asia means that the future of the traditional sectors will be pinned increasingly to quality and sophistication.

However, the authorities are resisting the temptation to "orient" foreign investment, Dr Ferreira says, except in the tourism and agricultural sectors.

Red tape involved in channelling investment projects has been drastically cut back under a new code introduced last year. A proposal, once lodged, is now automatically approved if nothing is heard to the contrary after two months, although authorisation is still required for large currency movements, as well as for property investments. Purchases of stakes up to 20 per cent and transfers of shares between EC investors need only to be registered.

New incentives have meanwhile been created for both foreign and domestic investment, geared to job creation, exports, research and regional development. Foreign companies can still opt for a "contractual regime" stating the objectives to be met and with incentives tailored to match.

Foreign capital has access to all sectors that are open to Portuguese private capital, which exludes some industries - arms, oil refining, basic petrochemicals, iron and steel - and a lot of services - water, sewerage, telephones, regular air, rail and urban bus services, ports and airports.

While partial privatisation of some other state interests is expected to start next year, Prime Minister Cavaco Silva has indicated that he wants to limit foreign participation to "10 per cent or so."

David White

The prosperous North is ready for EC competition

Land of the entrepreneurs

THE CLOCK on the Lisbon exhibition hall of the Portuguese Industrial Association has two faces, one North, the other South. The south face is an hour and a half slow. The north face is on time.

Northern businessmen will claim the differing faces sum up Portugal.

They believe they are not only on time but many moons ahead of Lisbon - that place to them, where politicians waste time on politics while the North gets on with the business of making Portugal tick punctually.

Northern self-confidence (self-effacement is not a famous northern trait) faltered but did not die in the brief revolutionaary storm when the far left tried to lay siege to northern companies and largely failed.

Now, with national politics on automatic pilot thanks to a stable centre-right majority, northern entrepreneurs have stopped whistling in the dark of political instability.

Unabashedly they boast of rising sales and profits, investment in new machinery, data processing equipment and vehicles, productivity gains and - the latest fashion - going public as dozens of successful small to medium-sized companies North and South have this year, burying the legend that a Portuguese entrepreneur would die rather than open his capital, decisions, books and profits to outsiders.

The North took to EC membership with a no-nonsense energy that foxed sufferers from the endemic if dwindling Portuguese ailment,'miserabilismo' - disbelief in national and individual ability to improve living standards, run a successful company or make a quality product.

At times miserabilists have been the majority. Not nowadays. Like the Little Train that Could of the childrens' story, individuals and groups are chugging forward, refusing to be daunted. Life is rapidly benefiting from their determination.

Industry is changing in the North. Overconcentration on textiles and clothing - launching pads for northern private enterprise two decades ago - is easing. While textiles and garments still account for over 40 per cent of Portugal's industrial product and despite EC competition remain vital, increasingly-efficient and highly-competitive export earners, the urge to diversify is now visible even among people who made their name and money in cloth.

Mechanical cutting, automated giant looms, joint engineering, research and development projects between northern universities, burgeoning vocational training centres and polytechnics are changing the pace and skills of the textile industry and the face of its heartland - the Minho areas of Braga, Guimaraes, Fafe, Santo Tirso and Famalicao.

People often describe the North as 'conservative'. In religious terms it has more churchgoers than the South and its inhabitants - more than half of Portugal's entire population is concentrated north of the Mondego - has more small, ruggedly-individualistic subsistence farmers with birth rates and families bigger than the south, whose ways in theory respond grudgingly to change.

Yet it is changing willingly and rapidly. A small but significant example of the transmogrification from a region where entrepreneurs tended to focus on the same type of business, farmers on the same type of produce (a little corn, a few vines, a few potatos, some patches of kale) is a three-room flat in textile-rich Famalicao where no one enters without surgical gown, boots and cap: it is in fact a thriving ultra-sterile laboratory producing Portugal's first test tube baby trees and plants.

Called In Vitro Plantas the enterprise, which reproduces pine, eucalpytus, fruit trees or ornamental plants in test tubes, creating strains that are stronger, more productive and less-vulnerable to blight and disease, is the brainchild of a textile manufacturer Mr Jose Antonio Magalhaes, and is a small-scale high-tech success.

Mr Magalhaes is now going into salmon, bred not in test tubes but in reservoirs now dotting the north as hydroelectric projects and mini-dams become a matter or water course.

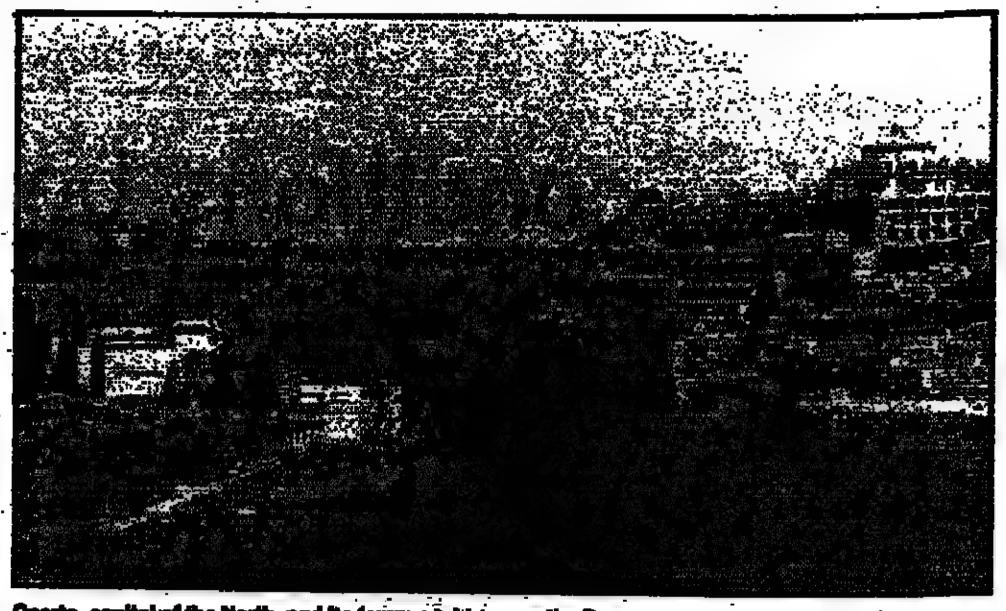
While Mr Magalhaes breeds a better peach tree Minho growers of the vines for Viknho Verde, the young white wine increasingly-popular abroad and subject to a special EC treatment as a unique product, are drawing on official incentives to uproot second-rate vines and plant new ones that produce better vintages.

Elsewhere,around Vila do Conde the booming footwear industry that barely existed a decade ago despatches tens of millions of pairs of shoes to the U S and Europe. Footwear was the first diversification away from textiles, now it is an established industry which, like textiles, is mechanising and improving productivity, having started as heavily-labour intensive.

Cork products, machinery, oil derivatives, pulp, vehicle components, packaging, electrical and electronic equipment, products made around Oporto, in the pungently-smoky Aveiro or in Cacia, are leading to serious air and water pollution. This is now a matter of negotiated improvement between the Government and established industries

Dumping of chemicals into the river Ave has almost killed the river. But EC accession requires radical change in environmental protection methods. Gradually established businesses must bring pollution controls up to EC standards and new factories must have tight regulations built in from the outset.

The change in the North is not just about industrial development: it extends to radical improvement in road and raill facilities, with a new railway bridge over the Douro, replacing the old somewhat creaking Eiffel-style masterpiece of old iron, as well goods transport and commuter rail systems due for the Oporto area.



Oporto, capital of the North, and its famous bridge over the Douro

Major improvements are underway to Oporto airport, the ports of Leixoes, Viana do Castelo and Aveiro, and there are plans for small river ports on the Douro - the river which Portugal shares with Spain.

Change is about the end of physical, social, industrial, and commercial remoteness in the spectacularly-beautiful north-east, as new highways connect once-isolated towns and vilages, making it less costly for local industry and agribusiness to develop and send products to bigger markets outside the area.

Change is about the race for further education by tens of thousands of young northerners who have access now to new universities, polytechnics and training schools.

For the first time in Portuguese history, thanks to the introduction of new seats of learning since the late 1970s, specialised skills such as management training techniques andengineering and agronomic qualifications are now available in the provinces.

That is a powerful force for change in the texture of Portugal's economy and social life: stress on skills and availability of well-prepared career-minded young people is rapidly erasing an old leaning towards modest clerical or labourers'jobs.

The change has been spotted abroad. Enterprising Italian machinery manufacturers are bolstering Italy's large trade surplus with Portugal, selling machinery to northern manufacturers almost as fast as gelati on a hot day in Rome.

The streets and roads in the North are choked with new commercial vehicles whose imports rose by no less than 75 per cent in the first six months of 1987.

It is just as well that a network of new highways is due to start functioning in patches next year and fully in 1991. Meanwhile, it is a brave driver who tries to find a parking place in central Oporto. Best leave the car at home and take a taxi but rising living standards have sent residents of Oporto in search of green and black cabs where once they had to use their two feet.

Diana Smith

Agriculture

Testing time ahead

MEMBERSHIP OF the European Community is forcing Portuguese agriculture to undergo some of the most radical and far-reaching reforms of any sector of the country's economic and social life.

Farming in Portugal is still overwhelmingly a traditional activity, dominated by smallholdings, many of them less than one acre, with inefficient and oudated production and marketing techniques.

Crops are farmed according to tradition, irrespective of market conditions or soil quality. 'This means that maize is produced on land unsuitable for maize and cork on land unsuitable for cork, and so on,' says Mr J. Caldeira Guimaraes, a former economic adviser to ex-President Antonio Ramalho Eanes.

Portugal has about 950,000 farmers, nearly 30 per cent of the active population, yet the sector contributes less than 10 per cent of the country's annual gross domestic product. At the time of EC membership in January 1986, the average productivity of Portuguese farmers was one third that of the Community average.

The Government has embarked on a far-reaching programme of farm reform hinged principally on rationalising and modernising production, marketing and processing of agricultural goods, using a combination of state and EC funds. The main aim of the programme is to gear Portuguese agriculture up to face full competition with its EC partners by 1992, when the country's transitional membership period ends, and to ensure fair and stable incomes for those working on the land.

Key planks of the policy are:

- To rethink production to ensure that the right crops are grown in the right regions;
- To concentrate state and EC support on projects that rationalise, expand or convert farms and ensure modernisation, and diversification of sources of income;
- To rationalise marketing and processing, giving higher value to produce and improving the quality of agro-food products;
- To improve infrastructures such as rural roads, irrigation and drainage, soil conservation, seed quality and animal and plant health.

The programme also stresses the need to improve farm property structures by revising tenancy and land division laws. More young people are being encouraged to go into farming, either thorugh incentives or through preferential support for their investment projects, and older farmers encouraged to give up farming without losing their property rights.

Further support will be given to improve the efficiency of cooperatives that buy in the produce from small farmers and market it on their behalf and special financial backing will be given to producers' organisations that contribute to a national marketing network or that are involved in agro-forestry.

Financial aid from the Community's agriculture and regional development funds is playing a crucial role in implementing this programme. In the first three months of this year, investment projects worth Es 3.3bn ($23m) were approved by Brussels under the European Agricultural Guarantee and Guidance Fund (EAGGF), largely for forestry, olive groves, irrigation, rural roads and electricity supplies to rural areas. A further Es 5bn was approved for new farm installations.

By the end of June, 15,000 project applications worth a total of Es 62.7bn had been submitted for approval. The northern regions of Entre Douro and Minho led in new projects, followed by the Alentejo, Ribatejo and Tras-os-Montes. Most new investment was being sought to buy machinery and livestock, develop vineyards, and for land management schemes, with individual farmers or cooperatives needing to put up enough capital to cover 50 per cent of the investment.

Overall, investment in agriculture in 1986, the first year of EC membership was Es 42bn ($295m) five times the level of the year before.

Portugal produces a wide range of fruit, particularly apples, pears, peaches, plums and citrus fruits, vegetables, olives, wine, dairy products, corn and other cereals and cork.Production has been sharply up so far this year over the average of the last ten years.

Wheat output at 535,000 tonnes is 49 per cent higher, barley and oats at 150,000 tonnes is over 60 per cent up and overall fruit and vegetable production is up 10.per cent.

Improving production is only part of the picture. Rationalising the often chaotic marketing and processing of food products is equally important. The agribusiness sector plans to invest Es 100bn ($650m) over the next five years, with half of that total coming from the EC.

The cooperative movement and farm credit banks are working with a new institute set up to support improvements in food marketing and processing. One of the main challenges is to bring the quality of products up to EC standard.

Twelve areas have been designated for marches d'origine and the first of these, in the central region around the town of Alcobaca, is expected to be functioning by the end of the year. Members of the local agricultural cooperative have set up a special fruit and vegetable cooperative that buys in produce at a price that varies according to the quality. "In this way we hope gradually to improve the quality," says local farmers' leader Miguel Guerra.

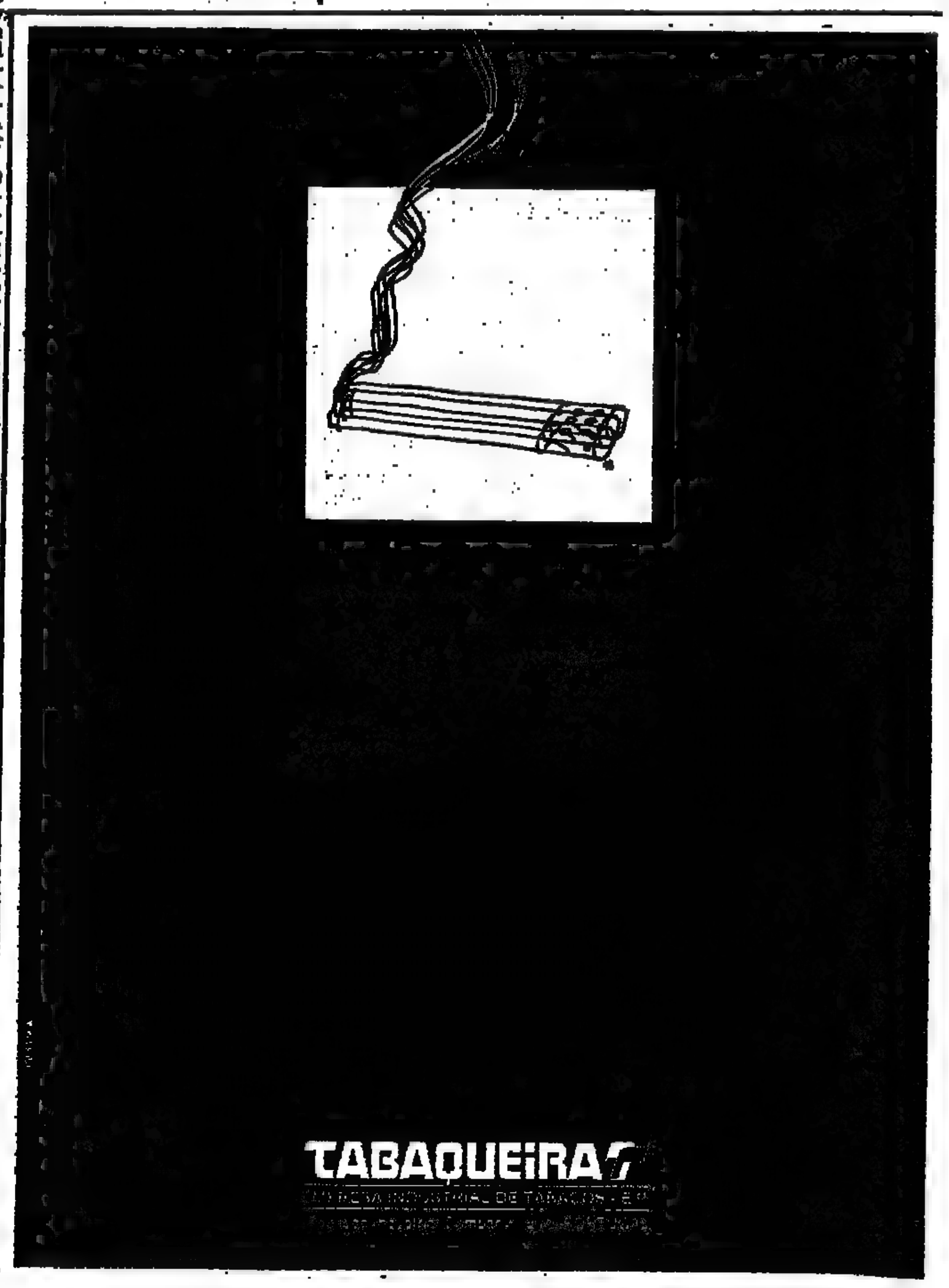
There has also been a shift towards growing products not traditionally found in the EC and therefore not blighted by surpluses. Since EC entry there has been a surge in investment in production of more exotic fruits and vegetables, like kiwi fruit and avocado. More emphasis is being put on higher value products.

The southern areas of Alentejo and Algarve, have an ideal climate for year-round cultivation of produce that could help secure a future for Portugal's farmers in the EC. But they also face a challenge, most acutely in the Algarve, from encroaching tourist development which is already switching away from the overcrowded coastline to the hinterland, forcing out small traditional citrus and almond growers.

Development is also threatening agricultural areas in the north as tourists switch away from traditional beach holidays.

This conflict between the powerful tourist industry, much of it backed by foreign investment, and an agricultural sector that will have to slim down hard if it is to compete on the European market, will provide a keen test for the Cavaco Silva Government's farm reform programme.

Charles Hodgson



New motorways and road bridges are a sign of the country's mood

Breathless race to catch up

YOU ARE in central Portugal, driving north. The road is narrow and congested. Ahead is a fiercely-smoking old lorry carrying a couple of sad-faced cows. One is staring at you. You stare back.

Fifty kilometres or so later, you and that cow are still having a staring match. You have no choice: you cannot overtake unless suicide is your forte. This is National Highway One, the traffic aorta of Portugal and you are stuck behind a cattle truck.

Take heart. Relief is nigh in the shape of the North-South motorway nearing completion. Much of the dreaded journey North is already blessed by stretches of motorway or rapid highway. Opportunities to feast your eyes on cows, chickens, logs, sacks of grain or crates of soft drinks are dwindling and by 1991 will terminate.

Portugal's road system has finally begun to catch up with the 20th century, with liberal injections of cash from the European Community and European Investment Bank, which has lent some Ecu 66m (£46.12m) since Portugal joined Europe, largely for new infrastructures or improvements.

The route north is not the only beneficiary of a concerted, rapidly-executed plan to reduce travel time, transport costs, accidents and missed delivery dates: all over the land, new roads are unwinding, destined to carry goods and private traffic faster and better.

From Oporto to Braga a new motorway is under construction, relieving a monstrously-congested road that is a vital corridor for textile and other factories in the Minho, where it can now take two hours or more to travel a modest 50km.

Crucial to the movement of goods is the Oporto-Tras-os-Montes motorway/ rapid highway to be completed by 1991 but with important stretches opened next year. It will connect to the Spanish frontier and the motorway to Burgos and beyond, creating a rapid link with major European roads.

Another major new rapid highway, from fast-growing and industrialising Aveiro and its modernised port now able to handle good-sized freighters, via Viseu where there will be a junction with a new highway from equally-fast modernising Figueira da Foz, will travel cross country to Vilar Formoso by the Spanish border, and link up to the vital Burgos-Paris axis.

South of the existing rapid highways through the Alentejo towards Badajoz and on to Madrid or Seville, another new highway is planned through the Algarve, now only served from East to West by a narrow pocked old road under almost unbearable traffic pressure in the tourist season, from domestic motorists, and foreign motorists visitors of many nationalities, not least millions of Spaniards who pour in from southern Spain.

After long delays, a road bridge is under construction across the Guadiana river, across which tourists in both directions have had to travel by ferry, with resulting traffic jams in summer in the Algarve and in Andalusia on the other side of the frontier.

Up north, over the River Lima an equally-vital road bridge is under construction by Spain. It will permit 2,000 goods vehicles a day or more to clear the Valenca do Miknho frontier compared with a few hundred at the moment. With Spanish-Portuguese trade booming, the need for better frontier traffic facilities has become urgent.

On the river Douro, boats can travel to Regua from Oporto

Roads are only part of the story of a breathless race to make up for lost decades when the rest of Europe invested in communications, education, agriculture and industry while Portugal pumped half its Gross Domestic Product into a colonial war and after that ended in 1974, poured funds into a bottomless pit of hastily-nationalised companies while transport, water supplies, telecommunications and production were neglected.

The energy and enthusiasm with which Portugal, at central, local government and private level is now investing more than it ever has in itself, its future and the training of its young people and developiong technology of its own, are epitomised in the tireless Minister for Planning and Territorial Administration, Prof Joao Valente de Oliveira, a bearded, gleefully-overworked northerner in his mid-40s who labours amid maps, charts, graphs and plans when he is not touring the country discussing plans with local authorities, supervising projects and opening new enterprises.

Prof Valente de Oliveira, whose planning department coordinates with ministries deeply involved in getting Portugal into shape - education, public works, communications and transport, industry, agriculture and internal administration - has plenty to show for two years of burning the midnight oil.

The new roads are well underway. Navigability of the river Douro, once an idea most people were sceptical about, has begun: from Oporto to Regua, passenger or goods boats can travel through a series of locks, including Europe's tallest lock at Carapatelo dam. It is cheaper to make the Douro navigable for river transport than to build motorways.

Along the Douro, vineyards producing the wine for port, a prime export earner, are being improved. Unproductive low-quality old vines are being replaced by top grade new ones. The Government will not subsidise planting of any vines under qualities A or B of the A to F qualities of port vines.

Further north, the port of Viana do Castelo is now equipped, as Setubal in the south will soon be, with roll-on, roll-off container facilities.

Where once they stood little chance because equipment was scant or dated and labour relations problematic, Portugal's northern ports - Viana, Oporto (Leixoes), Aveiro and Figueira da Foz - are becoming competitive with ports in Galicia.

Massive work is underway on airports. Oporto and Faro are expanding passenger and cargo terminals so as to deal more rapidly with fast-growing tourist and business travel and with expanding manufactured exports and imports in the North and fruit, vegetable and plant exports from Faro.

Small regional airports have not been neglected: at Vila Real in the North, at Viseu and Covilha, improvements are being made. Regional air routes are packed as people who would once not have dreamed of flying, now routinely take to the air on business, to visit relatives or to get to and from their studies.

Portugal is opening up from north to south, from east to west as communities once cut off from the mainstream by appalling if scenically-glorious roads become linked by new highways, or new air services. District capitals are experiencing population growth that delights the authorities who have prayed for an end to the population drift to Lisbon and Oporto and crowded shantytowns inhabited by unskilled labourers that blight the city outskirts.

With small companies opening up in provincial towns, the urge to leave one's district is fading. Places like Castelo Branco now have no unemployment thanks to scores of little enterprises - metallurgical companies, dairy product enterprises, or furniture-makers who produce a small but growing multiplier effect.

People in the provinces do not just have unprecedented access to new jobs, they have unprecedented access to new seats of learning - seven regional universities, a couple of dozen regional polytechnics and scores of vocational training centres that have sprouted in the last few years.

Strongly-oriented towards practical education - engineering, agronomy, industrial research and development in association with private enterprise - the new schools have thousands of eager young students getting ready for business and farming challenges their elders rarely faced.

Many of their elders had to read, if they knew how in a land of high rural illiteracy, by the light of an oil lamp. Now, Portugal is geared to almost total electrification and fast increasing consumption.

Supply is also increasing, thanks to giant new power stations in Sines and (under construction) Abrantes new large dams and plans for numerous small and multi-purpose dams up and down the country. With three times more annual rainfall than places like Ireland and the UK (not all year round but in drenching winter bursts for Portugal also has more sunshine hours than anywhere else in Europe) Portugal is at last learning to make rational use and distribution of water resources, and increase basic sanitation.

Now in urgent need of modernisation is the telephone system. Trying to talk to Oporto is almost as maddening as it used to be trying to get there by car. Digital switching is being installed, fortunately. Meanwhile I am off to make my 32nd try this morning to get through to our Madrid office. Can anyone spare a carrier pigeon?

Diana Smith

Alcobaca

In the EC frontline

ONE OF THE more endearing characters in Portuguese history is La Padeira (the baker woman) of Aljuberrota, who, legend has it, single-handedly saved the town from a dawn raid by Don Juan I's invading Castillians with the aid of her over-sized bread paddles.

Less *folkloric* historians claim that the Battle of Aljuberrota in 1385 was won for Portugal by English archers but the locals not suprisingly cleave to the image of the plucky bakeress swatting away the Spanish hordes like so many flies. Whatever the truth, the battle turned the tide and the Castillians turned tail.

Aljuberrota has dined out through the ages on its brief moment in the frontline against Spanish incursion. The town lies in the district of Alcobaca among the rich wooded hills of northern Estremadura, about 150km from Lisbon. Local businessmen and politicians in Alcobaca give the impression that the area is still in a way a frontline, if not against Spanish incursion, then at least in Portugal's efforts to establish itself as a viable member of the European Community.

Alcobaca is a wealthy region, where agriculture and small industry coexist and thrive together. Its original wealth came from agriculture and stemmed as much from the Cistercian Order, which built the imposing monastery of Santa Maria in the town of Alcobaca in 1178 and whose monks first cultivated the surrounding land, as from the richness of the soil.The concehlo or district of Alcobaca covers just over 400 square kms and 60,000 inhabitants.

The active population is now divided almost equally between agriculture and small industry, including ceramics, porcelain, glass, leather goods, bricks and tiles, cement, textiles and tourism.

This relatively small region is one of the country's foremost producers of fruit and vegetables, yielding over 100,000 tonnes a year and accounting for 15 per cent of the total national production of apples, pears and peaches. It is also a major wine producing area, boasting its own label as a regiao demarcada.

The local authorities have been quick to latch on to the potential benefits of EC membership in promoting the local economy and gearing up its industry and agriculture to compete on the European market. Last year, the region received Ecu 70m from the Brussels agricultural support and regional development funds and projects costing a further Ecu 370m were approved.

This year, applications for projects worth Ecu 142m are awaiting approval by the European Commission, and local officials have already drawn up plans for projects costing Ecu 350m for 1988.

Most of the EC resources have been spent on improvements to water supply, sewerage and roads. In addition, the European Community is co-funding a new Es 180m project to bring the quality of local agricultural produce up to EC standards by the end of Portugal's transitional period in 1991.

Alcobaca has been designated a *marche d'origine* for fruit and vegetables by Brussels. The local agricultural cooperative is currently setting up MercoAlcobaca, a fruit and vegetable cooperative that will buy in produce from members, at prices that vary according to quality. The aim is to use the price as a mechanism for gradually improving quality.

Mr Miguel Guerra, president of the 18,000-member agricultural cooperative, stresses this need to improve quality and yields as the key to survival in the fiercely competitive European market. His theme is echoed by local businessmen.

Mr Joao Jordao, chairman of Pereiras, part of the Elias & Paiva ceramics group, does not foresee new markets dramatically opening up in EC countries. The group has an annual turnover of Es 800m and about 90 per cent of its output is exported, mostly to EC countries and Scandinavia. But cheap imports from Third World countries, particularly Taiwan, South Korea, Hong Kong and China are now threatening to make inroads into the group's traditional markets.

To combat this the group plans to consolidate and concentrate on improving the quality of its finished products and of their design to broaden their appeal. Dr Ze Oliva Monteiro, chairman of the Spal porcelain company, shares the concern about low cost competitors. About 50 per cent of the company's Es 1.5bn annual sales are exports, mostly to Scandinavia and the US, but also to EC countries.

"We are well-established in our markets, but I do not see many prospects for new opportunities," Dr Oliva Monteiro said. "Our export policy is to offer different products that cannot be compared with the competition; products that people are not used to seeing in porcelain." This involves innovative designs and Spal is turning to US, British and French designers.

Most local businessmen regard the balance of EC membership as positive, at least in the long run, and as the sole avenue for modernisation of the country's industry. But Mr Antonio Neves Raposo de Magalhaes, chairman of Crisal, which manufactures handmade lead crystal,is a vehement opponent of the EC. "It brings no advantage to the Portuguese people," he says.

Portugal's rigid labour laws, which make it extremely difficult to lay off workers without prohibitively expensive compensation, restrict companies' rationalisation efforts. Foreign companies setting up in Portugal are not bound by these rules and enjoy an obvious competitive advantage, Mr de Magalhaes said.

EC competitors enjoy cheaper electricity, gas, and raw materials and while conceding that Portugal's labour costs are lower, Mr de Magalhaes says that this is more than offset by much lower Portuguese productivity "between 20 and 30 per cent of that in other EC countries. We cannot compete," he says. "They (EC competitors) can destroy us any time they want."

A constant theme among local businessmen is the need to consolidate and to diversify. It is the wide range of industrial and agricultural activities that has cushioned Alcobaca from the worst of the frequent economic crises and political upheavals that have dogged Portugal's young democracy.

After a brief flirtation with communist government in the immediate wake of the 1974 revolution, Alcobaca has settled into a stable and lasting relationship with social democracy.The Social Democrat mayor, Mr Joaquim Rui Coehlo, comfortably into his second term, advocates a policy of cautious growth.

"We must continue to grow, but it must be controlled development. We want to attract investment but we do not want to become a dustbin." He wants to avoid the type of rapid, carelessly planned, often illegal, development that has irreversibly scarred parts of the Algarve and the North in particular.

But at least one local businessman is scathing of this conservative approach: "The town hall blocks everything. They make it very complicated for would-be investors; they discourage investment. Alcobaca is like an egg that does not want to hatch."

Charles Hodgson

After 21 months of minority government, a crossover of political frontiers presents new opportunities

Enter a brave new factor: public confidence

THE ODDS AGAINST anyone winning an overall majority in a country with five parliamentary parties and the Hondt system of proportional representation seem so loaded as to be unbeatable.

Portugal's odds seemed all the more unsurmountable because of the relative weight of a Communist Party, that held between 11 and 20 per cent of the electorate after its legalisation in 1974. With the Social Democrats, Socialists, Democratic Renewal Party, and Christian Democrats battling for the truncated middle ground only a visionary or high-risk gambler would have dared predict that this July Professor Anibal Cavaco Silva would lead his Social Democrats not only to a majority but to a landslide that gave them 51 per cent of the vote and 146 seats in Parliament.

The deed was done thanks to mass crossover of party frontiers – Christian Democrats, Socialists and (hush, hush, whisper who dares) even Communists in militant areas across the Tagus from Lisbon decided to end 13 years of chop and change governments and to begin an era where administrations could complete their four-year mandate.

In 21 months of minority government between October 1985 and this July, Mr Cavaco Silva worked up a good track record of economic growth, dropping inflation and rising buying power. He had considerable help from an international climate of cheap oil, cheap dollar and buoyant export demand, plus an economic discipline left behind by the previous coalition whose fierce austerity had hauled Portugal back from an abyss to which 1970-82 frantic private consumption and public overspending had led it. But his Cabinet added a new factor, self-confidence which gradually translated into public confidence in their ability to move Portugal forward on the road to development and higher living standards as European Community members.

Now Prof Cavaco Silva and a team of young ministers and secretaries of state are priming their weapons for full-scale attack on Portugal's ancient enemies: underdevelopment, underemployment, underproductivity in agriculture and industry, underhousing, under-capitalisation of businesses, understaffing in the health and education services, underpayment of taxes in a nation with an obstinately-thriving black economy, and ove-bureaucratisation.

In Parliament no one can stop them: motions of censure that once made Portuguese governments tremble for their survival can be lodged once a week if the opposition parties so desire: numerically they cannot pass. The opposition can try to drive up the temperature of debate by every means at its disposal, the result will still be parliamentary rubber-stamping of government Bills.

Preparations are being made for reforms in the 1976 Constitution that will desocialise the economic content of the nation's fundamental legislation, and 1988 will be the year of the Great Constitutional Debate.

Changes in the Constitution require a two thirds Parliamentary majority - a luxury that the July elections did not grant Prof. Cavaco Silva. His party must therefore negotiate delicately with Socialists led by Dr Vitor Constancio, Christian Democrats led by Prof Adriano Moreira, and the Democratic Renewal Party not visibly led, since their head, ex-President of the Republic Ramalho Eanes suspended himself from the position after his party's humiliating rout in July.

+ The Social Democrats will have considerable cooperation in amendments that delete expressions like "Portugal is on the road to Socialism," and "irreversibility of nationalisations," from Socialists and Christian Democrats - enough to overcome Communist or Democratic Renewal obstacles to removing marxist strictures from the Constitution.

In 1987-88, nationalisation and its staggering cost in budget deficits, accumulated public debt, unproductive investment and lack of competitiveness, have fallen from the brief favour they enjoyed in the mid-1970s. Pragmatic streamlining is on the cards.

Most democratic politicians, whatever their party, have little nostalgia for the era when private enterprise was barely tolerated and public enterprise translated into hegemony. The mood, outside the Communist party and the Democratic Renewal party which is chronically unclear about where it stands on major issues, is one of willingness to undo past mistakes.

The problem for the Opposition is to maintain status in the face of the Cavaco Silva steamroller effect. The last Cavaco Silva government was often haughty, especially ministers in the economic area, towards Parliament. A minority government, it behaved as if it had an overwhelming majority. Now that it has that majority, it may be gracious in victory - or find it hard to resist brash self-satisfaction that soured its relations with other parties in 1985-87.

The opposition is not having an easy time among its own ranks, let alone trying to make a constructive name for itself in the new majority climate. The Socialists smarted from their July defeat showing of 23 per cent; some directly blame the loss on Dr Vitor Constancio, who replaced the charismatic, avuncular Mario Soares, now a sunny President of the Republic and above party politics, with a cautious, quiet style of leadership.

He needs to spend as much time consolidating his leadership as he does asserting the Socialists' role of large minority in Parliament.

The Christian Democrat leader Prof Adriano Moreira is no better off: in his case not a minority but a vociferous 'tidal' wave in the party blames him for a dismal Christian Democrat performance at the polls leaving them with a fistful of seats where they once held the balance of power. How long the former minister in the Salazar dictatorship can hold on to his party's reins seems a matter of time: a movement is afoot to woo back the former Christian Democrat leader Prof Diogo Freitas do Amaral who severed his party ties in order to run for President of the Republic in 1986 against Mario Soares.

There is a natural Christian Democrat space in Portugal just as there is a natural Socialist space - though both are smaller than they once were. In July there were desertions from their ranks into the Cavaco Silva camp for pragmatic reasons: much, heated wooing will be done until 1991 when the next general election is due.

The Communist party has shrunk too. Its leader Dr Alvaro Cunhal is in his mid-70s and now admitting that one day he intends to retire. The party's language and threats of instability should its sacred cows - nationalisation and collectivist agrarian reform be touched - appeal to a smaller public nowadays. Living standards slowly rise and the natural communist clientele - the rural and urban poor, the elderly whose pensions once barely kept them alive, the unskilled and the badly-housed, or the exploited labourer - have begun to believe that governments like the Cavaco Silva administration will do more in practical terms for them than Marxist-Leninist doctrine.

The change in Portugal's economic circumstances in recent years and the driving force of EC membership, are dictating changes in politics. The Vavaco Silva phenomenon - massive endorsement for hard-headed young technocrats untried on the international front but fiercely-ambitious at home and much exercised with the question of competence - is evidence of this change.

As Portugal settles into Europe, learning to function in a wider universe without constantly feeling the need as it now often does, to proclaim how capable its leaders are and how cleverly it defends its interests, a hybrid of muscular technocrat and subtler politician may emerge able to adapt to the EC full membership moment after 1992 when protective layers are peeled away and Portugal must stand on the European merits it develops between now and then.

Diana Smith

Former overseas possessions

Towards a new relationship

THE BANNERS welcoming the visiting President were the kind of thing usually seen in Africa. But in this case it was the visitor who was African, and the hosts the former imperial power. Twelve years after its richest colony became independent, Portugal was receiving an Angolan head of state for the first time.

The visit of President dos Santos of Angola raised a few bristles

The poorest of the European colonial powers, and the last to relinquish its hold over a substantial overseas empire, Portugal is still feeling its way towards a new relationship with its former possessions.

Decolonisation in Portuguese Africa, when it came, took place in one big rush in 1974 and 1975, after a three-fronted war which lasted longer than any other modern colonial conflict, drained the country materially and emotionally, and played a major part in provoking the overthrow of Portugal's own dictatorial regime.

In the wake of that turmoil, the country had not only to make room for 700,000 'retornados' from overseas - with a further influx still expected from Macao - but also to adapt to the sudden shrinking of a national identity that stretched "from the Minho (in northern Portugal) to Timor (north of Australia)."

The so-called overseas provinces ruled by Lisbon up to 1974 comprised seven territories, five of which were in West and East Africa: Angola, Mozambique, Guinea-Bissau, the Cape Verde Islands and the islands of Sao Tome and Principe off Gabon. In Asia, where the Portuguese presence was reduced by the loss of Goa in 1961, there remained two loose ends - the eastern half of Timor island and Macao. The independence process in east Timor was cut short when Indonesia, fearful of a kind of Cuba on its doorstep, invaded it in late 1975. Macao, where China did not want a simple Portuguese pullout, remained under Portuguese administration.

The question of these Asian territories' future looms less large among national concerns than the revival of ties with Africa. In the smaller former African possessions, co-operation has thrived, but in Mozambique and particularly Angola the process has proved much trickier.

The recent visit of Angola's President Jose Eduardo dos Santos as part of a European tour raised a few bristles - the Unita rebel movement, which to Luanda's irritation has maintained an information office in Lisbon, continues to enjoy some influence in the Portuguese capital - but served to underline the key place Southern Africa holds in Portugal's search for an international role.

In the new Cavaco Silva administration's programme, co-operation with Portuguese-speaking countries, "taking into account Portugal's special responsibilities with regard to Africa," comes high on the list of foreign policy priorities after relations with the European Community and Nato.

Portugal regards its diplomatic role in Angola as something less than a mediator, but more than a mere messenger, between Luanda and Washington. Western diplomats say that with the latest signs of Angola's desire to move, like Mozambique, out of eastern bloc isolation, to develop a more market-oriented economy and possibly to reduce its military reliance on Cuba, Portugal has more chance actually to play the role.

They regard President dos Santos's visit to Lisbon as reflecting an angolan initiative rather than a Portuguese one.

The visit was followed - presumably not a complete coincidence - by the arrival of Mr Pik Botha, Foreign Minister of South Africa (a country with a large Portuguese population), to a distinctly cool reception. Among other issues, Lisbon blames Pretoria for the the paralysis of electricity supplies from Mozambique's Cabora Bassa dam by the Renamo guerrilla organisation, which has left Portugal carrying a heavy financial burden.

Although Portuguese interests remain deeply involved in the former territories, trade since independence has hardly flourished. Before 1974, Angola and Mozambique took about a quarter of Portugal's exports. The combined figure then plummeted to less than three per cent. In the other direction, Angola, from sending 37 per cent of its exports to Portugal, sent less than 1 per cent.

In Mozambique's case Portugal took 41 per cent of exports before the revolution, falling afterwards to 7 per cent. Last year, with Portugal's entry into the EC, the share of Portuguese exports going to the "new Portuguese-speaking countries" was halved to 2 per cent, and their slice of the Portuguese market narrowed to less than 1 per cent. In the first half of this year, Portugal's exports to the former African territories were again down - to just over Es 10bn - and its imports from them tumbled 75 per cent to Es 1.6bn.

Commercial ties with Angola, which accounts for more than half these figures, have recently been strengthened, however, with agreement on a phased $150m credit line from Portugal and on supplies of Angolan crude oil. A trade pact was in force as long ago as 1979, but finance has been a permanent obstacle.

As already happened before independence, Portuguese companies face strong competition in Angola. The French, with their formidable "petro-political-military-industrial" machine, have been digging themselves in, both they and the Angolans being clearly interested in the increased involvement of French oil companies.

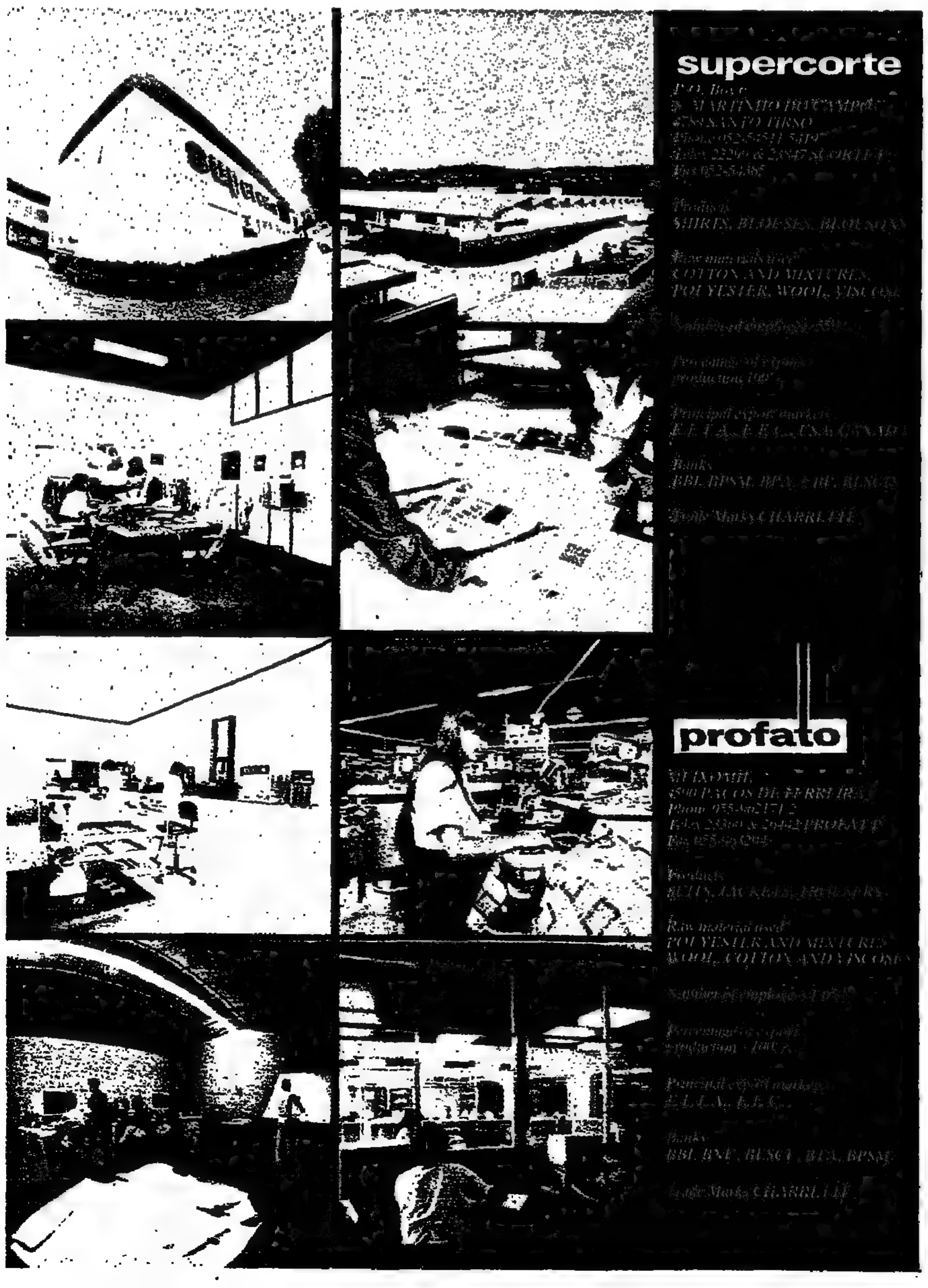
Spain, which President dos Santos visited three years before he set foot in Portugal, has also been developing its interests, as has Brazil, and Angola has also been talking with Belgium's Societe Generale on getting the Benguela railway back into shape.

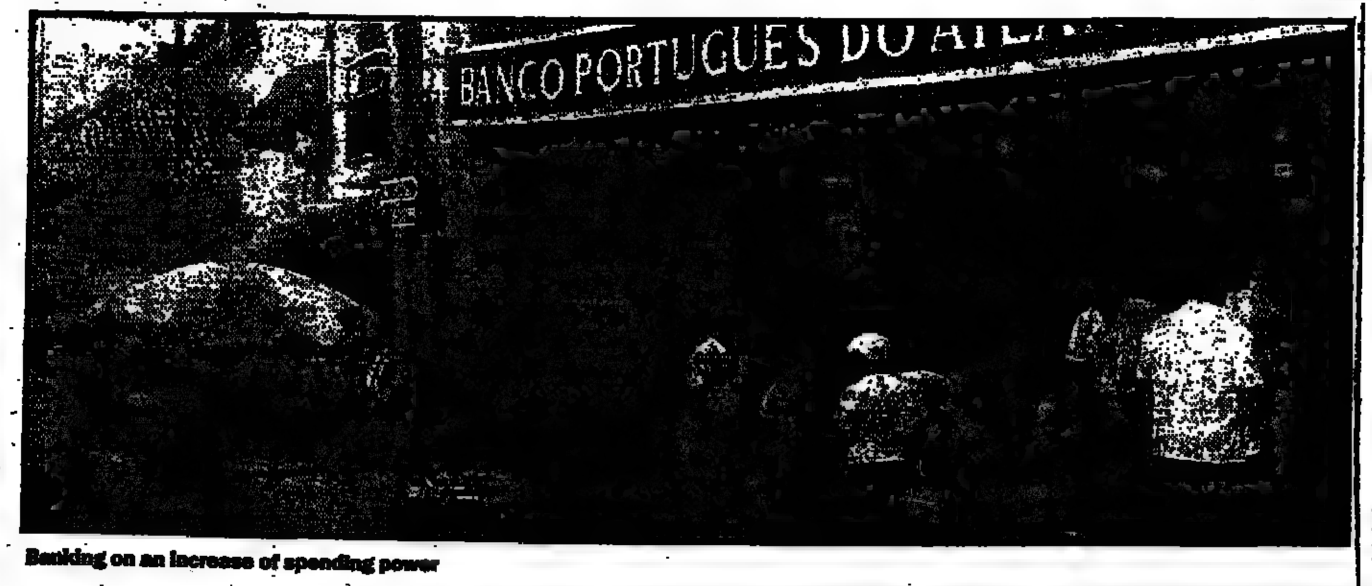
The Cavaco Silva administration is focusing strongly on its African relationships. But the search for a happy sequel to empire also inevitably stumbles on the East Timor issue.

The new Government's programme seemed to make a significant departure from the position set out in Portugal's 1976 constitution, which committed the country "to promote and guarantee East Timor's right to independence." Instead, in an apparent overture to Indonesia, the programme called simply for "an honourable solution to the Timor question, guaranteeing respect for the cultural and religious identity of the Timorese people." Diplomats now believe, however, that this may have been no more than a trial balloon aimed at testing opinion.

In Macao, a transition accord was finally agreed in March, providing for the territory to revert to Chinese control in December, 1999, two years after Hong Kong, with a 50-year guarantee similar to Hong Kong's for the continuation of the current business system. Portuguese since 1557, it will be the last bit of overseas power to go.

David White





Banking on an increase of spending power

Consumerism

Catching up with the EC

THIRTEEN YEARS ago revolution rocked the country. Che Guevera T-shirts were all the rage, political uncertainty ruled and most people's money went no further than the inside of their mattresses.

Those days are over. Today's teenagers hanker after Benetton colours or Swatch watches. Their parents are out on an unprecendented shopping spree.

In Lisbon, people fight for a spot on a tiny parking lot, and squeeze their way through badly-marked aisles to shop at the newest fad - Continente, the Lisbon area showpiece of Portugal's first hypermarket group, born in the increasingly well-heeled North.

"Prices are much lower here, so you can buy much more," said one shopper pushing an overflowing trolley.

Continente sits on a major suburban crossroads, difficult to get to but attractive enough for two rival groups to set up shop in the same area.

Furthermore, upmarket, exclusive shopping areas in Greater Lisbon and the North have also sprung up offering Portugal's burgeoning image-conscious yuppies everything from designer clothes to Belgium's Godiva chocolates.

Foreign and some national companies have been quick to cater to fast-growing consumer mania which, buoyed by increased confidence in the economy and 3.5 per cent growth in real wages this year, has pushed private consumption up by 5 per cent.

Supermarkets in major urban centres boast new lines of toiletries, yoghurt, biscuits, soft drinks and frozen foods, as established consumer product companies diversify their lines in a bid to reinforce their hold on the national market and pre-empt potential invaders - companies from neighbouring Spain or Spanish-based multinationals.

Giants like Nestle and Pepsico have invested heavily in Portugal, where per capita consumption of chocolate and soft drinks remains one of the lowest in Europe and promises the strongest growth potential.

Nestle, trying to beat off outside competition in the chocolate drink, coffee and frozen food markets has been buying up prestigious national roasters. It recently used Portugal for an international launch of its Milo brand, and has added new products to its Findus frozen food line.

Not to be outdone, Unilever's Portuguese subsidiary Lever Portuguesa, the country's leading advertiser last year with spending of Es 667m ($4.6m) has taken over much of greater Lisbon's outdoor advertising space to promote its Iglo frozen foods.

Market analysts attribute spectacular growth of frozen food sales in a land where most families expect homecooked meals to recent changes in people's lifestyle.

"Many urban dwellers today want convenience foods. More married women work and don't have time to cook. More men who know little about cooking are doing the family shopping," explained one analyst.

The drop in import tariffs after accession to the EC brought a greater variety of brand names on the shelf and have helped push this kind of consumption.

Banking on an Europeanisation of Portuguese palates and growing purchasing power, Pepsico Foods has decided to plunge into the practically barren local snack food market with its Fritolay and Dorito brands, challenging Spain's Cueteras group which, after the two neighbours joined the EC, made deep inroads into the previously modest biscuit market and now has broken into the salty snack line.

Many expected national industry to wilt under EC competition. But several local consumer product firms have risen to the challenge with considerable spirit, following the multinational lead in launching new products, optimising distribution, investing more in market and media research and spending more on advertising.

The northern Perafita dairy group, for example, brought to the market in 1986 an increasingly-sophisticated range of yoghurts and potato chips, spending Es 96.3m on advertising. The Imperial chocolate company radically improved its products and used a strong TV campaign to shake off a musty image.

As a result company sources report a considerable rise in sales and say Imperial is ready to diversify into snacks and chewing gum.

The global advertising outlay in Portugal should hit Es 21.5bn this year, about 60 per cent more than 1986 when it reached Es 13.4bn. The two state-owned TV channels took the lion's share.

Although media analysts note advertising outlay in Portugal still lags behind its European partners, they believe the rising trend will continue, particularly if the Social Democrat Government holds true on its promise of opening up TV to private enterprise.

Consumers are not only spending more they are becoming more discriminating, responding to wider choice and exacting compliance with EC regulations that demand that packaging be well insulated to prevent deterioration, and clearly show expiry dates of perishable goods and list ingredients.

Largely averse to frontal argument, Portuguese consumers in the past rarely complained about shoddy goods, blighted foodstuffs or dirty shops. The patient work in recent years of consumer protection organisations, encouraging citizens to be fussier and return or refuse to buy, sub-standard products, has begun to pay off: the quality of goods, their packaging and the quality of service and hygiene in shops has risen sharply.

Portuguese tastes are becoming far more sophisticated. The desire to leave behind a glum past of cheap low-quality products has pushed up the volume of sales of items like personal hygiene products by 9 per cent in the last year.

Sharon Behn

The Media

Changes in the air

A BRIGHT, young reporter with a new Portuguese commercial radio station recently telephoned the tax authorities to follow up a rumour that forged share certificates were circulating on the Lisbon stock exchange.

Upon hearing the name of her employer, the official retorted that the reporter had something of a nerve contacting the tax authorities since her radio station was a pirate operating without a licence.

The Portuguese airwaves are rife with piracy, but this happy anarchy will not continue for much longer. Parliament recently approved legislation opening the way for private commercial radio stations to broadcast and contenders can start applying for a legal slot on the dial from December. The Government envisages about 300 radio stations eventually being established, most broadcasting locally.

This liberalisation of the airwaves, is only part of the Cavaco Silva Government's media privatisation programme, the main thrust of which is due to be announced shortly. Despite the Government's aim, outlined in its new policy programme, of ending the state monopoly on broadcasting and privatising some, if not all of the state-owned newspapers, potential bidders claim that an official curtain of silence appears to have fallen over both the timing and conditions of media privatisation.

There are even suggestions that the Government is backsliding on its intention, under the programme for the state to maintain only a "minimum service" by public television and radio.

There are currently two state television channels and five newspapers either run or majority controlled by the Government; the daily Diario de Noticias, A Capital, the Lisbon evening newspaper, and Diario Popular, which are state run, and Jornal de Noticias in the northern city of Oporto, and Record, a sports newspaper, which are run by companies in which the state has a controlling interest.

Altogther there are 15 major public and privatelyowned daily newspapers in the country, although only two or three have genuinely national distribution. It appears from cautionary noises being made by administration officials about the need to proceed at a measured pace that the Government intends to retain control over at least one of the state-run newspapers. Most observers think it will hang on to the profitable Diario de Noticias quality newspaper, which has a circulation of about 753,000.

The Government may also retain control over the two state television channels, preferring to licence three new channels, but will probably sell off Radio Commercial, the profitable state-run commercial radio station, leaving two state radio channels, currently run by Radio Diffusao Portuguesa, the state broadcasting corporation.

There are some well-known faces among the contestants lining up for the bidding race. Mr Robert Maxwell, fresh from his consortium's success earlier this year in winning the struggle for 50 per cent of TF1, France's oldest and largest state-owned television network, has teamed with Emaudio, a company run by Mr Joao Tito de Morais, to examine possible joint ventures in "social communication".

As a first step, the fruit of this union, Emaudio Internacional, is in the process of buying into one of the more exciting new private radio stations, RadiOGeste, staffed largely by well-known figures from Portuguese television and radio.

Mr Rupert Murdoch and Mr Silvio Berlusconi, the Italian entrepreneur, are also reported to have been in talks with leading potential Portuguese bidders and Hachette, the French publishing group, has already signed an agreement in principle to cooperate with Mr Francisco Pinto Balsemao, the former Social Democrat prime minister and major shareholder of the respected privately-owned weekly Expresso, which is expected to announce a stock market launch in the near future.

Mr Pinto Balsemao is also understood to be interested in operating a private television channel, and is understood to be looking for a possible link with Granada TV, the independent British television company. The Catholic Church, which already runs a well-established radio station, is also interested in moving into television.

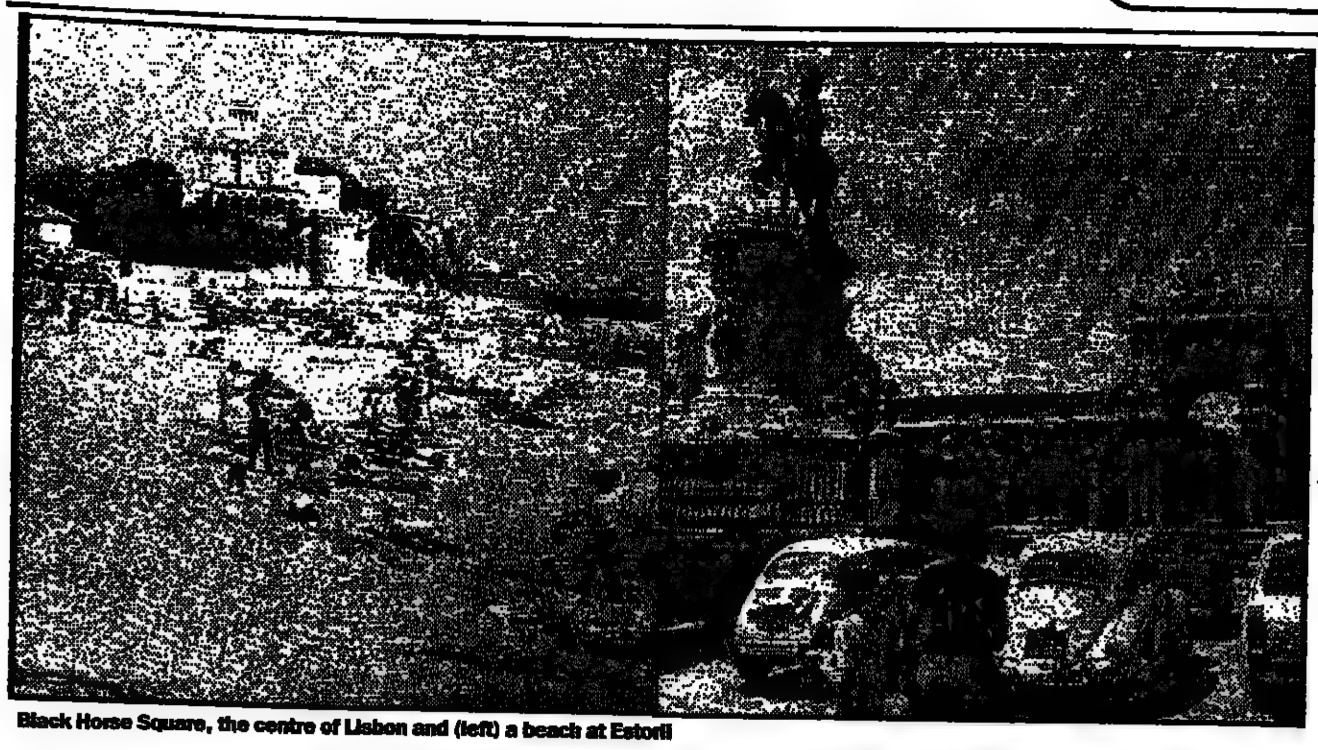
Other candidates likely to be interested in one or other of the state newspapers include Mr Carlos Barbosa, who runs the downmarket Correio da Manha (circulation: 1.6 million). Mr Barbosa has made it clear that he is disinterested in foreign links.

Under existing legislation, the proportion of foreign capital invested in a newspaper publishing house cannot exceed 10 per cent and it is uncertain what changes in this rule the Government will make in its privatisation plan or even if it can still be applied to European companies since Portugal's entry to the EC.

The attractiveness of the state-run newspapers as potential investments is hard to gauge. Most interested candidates seem to agree that some, particularly Diario de Noticias, A Capital, Jornal de Noticias and Record, could prove profitable. The problem is that the state corporations that run them, and whose shares will probably be sold off as the first stage of the privatisation programme are for the most part loss-making and heavily in debt.

Much will obviously depend on the conditions that the Government attaches to the sell off and these are unlikely to emerge until the end of the year. Even then media privatisation may have to wait until the Government has completed the sale of other state industries, which are more profitable, including the beer and tobacco monopolies and the nationalised banks and insurance companies, to which the administration has said it will give priority.

Charles Hodgson



Black Horse Square, the centre of Lisbon and (left) a beach at Estoril

The future for tourism

Wider horizons sought

A GENERATION of deposed kings, princes and archdukes who spent a gracious exile at Estoril would not be amused to see what Portuguese tourism has largely become today - a prey to the package tour business.

An increasingly concentrated UK tour operator sector dominates the holiday industry that has been built up in the Algarve since the 1960s. The southern coastal strip, where the high season is only now at the end of October coming to an end and where the climate sustains good business for 10 months a year, is the only region with more capacity than the Lisbon area and has come to account for the bulk of Portugal's foreign custom.

Although Portuguese tourism goes from record year to record year in terms both of foreign currency earnings and the number of visitors, there is a growing consciousness of the way the growth has left a large part of the country's potential unexploited and of the need to go more for quality in order to get out of the trap.

Mr Fernao vaz Pinto, who with members of his family built what is reputed as one of the Algarve's most pleasant hotels at Lagos 20 years ago, says that his aim was to attract individual visitors but that business is now almost all through packages. Significantly, less than 5 per cent of clients at the Hotel de Lagos are Portuguese.

"Probably nobody goes now for the individual tourist," he says. Even the region's luxury golf hotels have had to come to terms with the fact that golf in Britain has become an everyman's pastime.

The expansion of what the Portuguese call "turismo de Garrafao" (demijohn tourism) exercises downward pressure on prices as operators try to maintain Portugal's advantage as a cheap location, and hotels face growing clandestine competition. Proposals made recently by Algarve hoteliers for an 18 per cent increase next season were not welcomed by the tour operators, who argued that the increase would blunt the competitive edge.

British custom accounts for most of the recent market growth. Last year the total number of visitors to Portugal rose almost 12 per cent to 13.1 million, mostly Spaniards nipping across for a quick bargain. The number staying for 24 hours or more showed a more modest 8 per cent increase to 5.4 million.

After the Spanish, British tourists far outstripped the others, increasing by over 21 per cent to pass the 1 million mark for the first time. In terms of hotel nights spent in Portugal, Britons almost equalled the Spaniards, with the two nationalities accounting for more than half the total.

West Germans, the world's biggest holiday spenders, were well behind at 395,000, scarcely up on the previous year, and the French, at 350,000, showed a slight decline.

In its failure to develop more markets, Mr Lucinio Cunha, secretary of state for tourism, blames the sector for not getting its act together, as well as the shortage of government funds for a wider-ranging promotion policy.

He compares the Portuguese tourist industry with what happened to port wine in the 18th century, "when the English took charge of production and marketing and kept the profits."

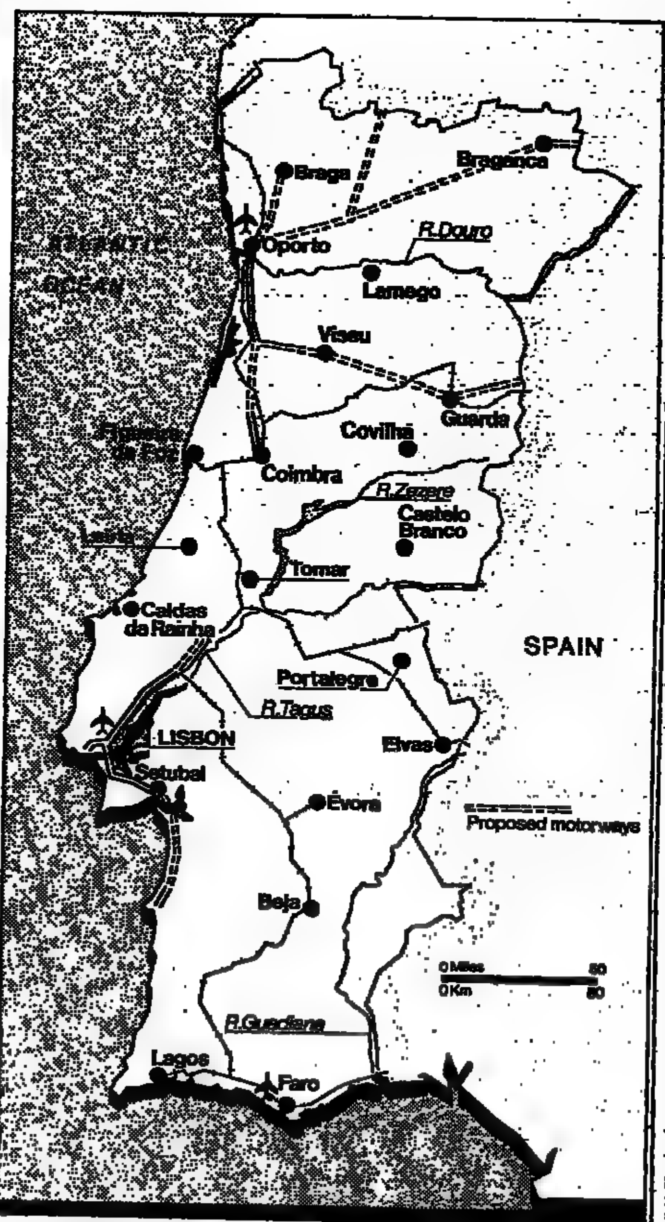
With tourism providing one of the main targets for foreign investment, a large part is run by foreigners for foreigners. For instance, of the country's 40-plus time-sharing ventures, a quarter were developed by foreign interests.

There are an estimated 25,000 time-share owners, mostly British, against about 5,000 Portuguese, according to the grotesquely-named national association of the tourism industry of periodic habitation, which rejoices in the acronym 'anithap' (as in: "they told us something would go wrong, an' it happened.")

The sometimes irregular practices of time-share promoters have been subject to a tightening-up. But slack discipline in some other areas, especially local planning, has left its mark in southern resort zones, where the central government recently made its first moves to demolish illegally-contructed villas. But local councils are not the only authorities open to charges of deficient planning in the sector.

Much of Portugal remains very underequipped. The state-run pousadas, a match for Spain's paradores, are few and small. In many places there is nothing by way of accommodation between the nearest pousada and a seedy pension. The distribution of facilities is grossly uneven. The Azores, placed to tap a US as well as a European market, have one fifth of the number of hotel beds Madeira has.

Mr vaz Pinto, for one, is convinced that Portugal can exploit its rural areas, by setting up the equivalent of "dude ranches."



A subsidised bed-and-breakfast system in selected private houses, often in manorial surroundings, is one way in which individual tourism is being encouraged. The current list includes more than 140 houses, mostly in the northern Costa Verde region, with guests being required to make bookings three days in advance.

Although net tourist receipts were enough to mop up three-quarters of Portugal's trade deficit last year, the sector is still far from realising its earning potential. According to the world tourism organisation, the average spent per day by a foreign tourist in Portugal in 1985 was just $27. Spain, while being the prime destination for the cheap package tour, managed almost twice that at $52, while for the US, the only country to earn more from tourism than Spain, the average was $69.

Revenue has, however, been increasing more rapidly than the number of visitors. Last year it was 38 per cent up at $1.57 bn, putting Portugal close on the heels of Greece as a tourism earner, and this year is expected to show a further sharp rise.

Much-needed new roads and the renovation of the rail network can be expected to increase the volume of overland traffic, while the airports of Oporto in the North and Faro in the Algarve are in the process of being extended and re-equipped. A new terminal at Faro is due to be operational in the summer of 1989.

David White

Profile: Francisco Veloso

In the BCI driving seat

FRANCISCO VELOSO is a genial sort of banker. The small bank he presides over, Banco de Comercio e Industria (BCI), now two years old, has more than doubled its original capital to Es 3.5bn, has assets of Es 11bn ($80m), is in profit and settling into the brisk rhythm of a Portuguese financial market that is now diverse, extremely competitive and challenging.

Business habits have changed. New private banks with small, highly-trained staff, careful operating costs and unbureaucratic management are sharpening their competitive edge over the nationalised sector.

Far larger in assets and branches, excessively staffed despite recent efforts at pruning, nationalised banks have made heroic bids to turn loss into profit and replace bureaucratic snarls with speedy personalised service. But by the time the competition arrived from foreign and new private Portuguese banks in 1984-85, the ground to be regained was vast for institutions that had coasted for a decade on a quasi-monopoly.

Things have improved not least because increasingly-discriminating customers now expect service. If they do not get it at one bank they move to another. Before liberalisation they were stuck, like it or not, with sparse choice.

Mr. Veloso is in an interesting position. He started in private banking, with the Espirito Santo Silva family which owned one of the banks nationalised overnight in 1975.

That bank was one of Portugal's most solid institutions. After the owners' assets were swept into the state net, Mr. Veloso, as employee, not the owner, ran the bank and kept its slate freer than many other nationalised banks of politically-motivated credit to marxist worker or peasant collectives and other revolutionary experiments.

He insisted on running the Espirito Santo e Comercial Bank (BESCL) as a bank, not as a tactical weapon of commissars. As a result, when things began to calm down, the BESCL's original solidity and careful post-revolutionary management stood it in good stead.

In the early 1980s Mr Veloso went private again - into a new venture, SPI which in 1984 became Portugal's first new private bank, Banco Portugues de Investimentos.

When the hardy Northerners who backed BPI decided it was time to set up a small commercial bank, Mr.Veloso was made chairman and now rules the small, cosy BCI which has doggedly resisted the temptation to shoot for bigness and plumps for select upwardly-mobile customers from the liberal professions and small/medium businesses.

Today's customer who has reached a reasonably-comfortable income level wants remunerated sight deposits, cash management, investment and personal attention services which few, if any, bank customers could expect a few years ago.

Customers are getting very choosy now that companies are less indebted. They shop from bank to bank in search of a good credit deal or a higher remuneration.

Their choosiness keeps bankers on their toes. Private enterprise, rude words when leftwing revolution briefly turned capitalists into pariahs and banks into political rally halls, is exacting its pound of inventiveness from the recycled banking system.

The ironies of destiny have placed Mr. Veloso's small, user-friendly BCI in Lisbon almost back to back with another new private bank with a similar acronym - BIC, or Banco Internacional de Credito.

The founders of BIC are none other than the Espirito Santo Silva family and group so rudely dispossessed in 1975 and now back in business in their homeland catering to companies that in some cases have been loyal customers of the bank for more than 100 years.

BIC which, like all private Portuguese banks, has been increasing capital and assets rapidly, bears a name that gives no clue to the identity of its owners, but their investment company, Espirito Santo Investimento leaves no doubts.

The wheel of Portuguese banking fortunes took odd turns in the mid-1970s but is now spinning less erratically, to the benefit of the sort of customer who wants to succeed in a new, business-oriented climate. BCI and BIC may sit back to back geographically but professionally they compete side by side in a market where professionalism is becoming the main driving force.

Diana Smith

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 30 1987

Strong third-quarter earnings growth for Compaq Computer

BY LOUISE KEHOE IN SAN FRANCISCO

COMPAQ COMPUTER, the US personal computer manufacturer, has announced dramatically higher third-quarter sales and earnings, dispelling concerns that competition from IBM's new personal computers could reduce Compaq's share of the high-end personal computer market.

Third-quarter net earnings were $36.4m, or 94 cents a share, compared with $8.7m, or 31 cents, in the same period last year.

Third-quarter earnings for this year include a $3m after-tax gain from equity financing by Conner Peripherals, a US disc drive manufacturer in which Compaq holds an interest. Also included is $744,000 of net income from an affiliated company.

Sales more than doubled to $313.5m, from $147.2m in the same period a year ago.

Industry analysts had predicted third-quarter earnings of 81 cents a share and said that the higher earnings indicated that Compaq was winning a significantly higher portion of the high-performance 32-bit personal computer market than had been anticipated.

Compaq recently launched a new system that outperforms IBM's most powerful personal computer, but IBM was expected to strike back with an equally powerful machine before the end of the year.

Over the past six months Compaq has launched an aggressive marketing campaign placing itself in a head-to-head competition with IBM.

For the nine-month period Compaq's net earnings were $87.2m, or $2.32 a share, compared with $26.7m, or 95 cents, last year. Sales rose from $438.3m to $792m.

General Re stages dramatic increase

BY JAMES BUCHAN IN NEW YORK

GENERAL RE, the largest US re-insurance company, yesterday reported a strong increase in its operating income and net earnings in the third quarter to September and confirmed that it held only a relatively small proportion of its investments in the stock market.

General Re, whose own stock has been one of the least bad performers of the last 10 days, reported an increase of 143 per cent in operating income to $120.1m in the September quarter.

The 1986 third-quarter figures were held back by a $60m strengthening in reserves in the life business.

Net income, which included realised investment gains in both quarter and tax benefits in the 1986 quarter, was $121.2m, or $1.20 a share, against $69m, or 67 cents.

Net premium fell 1.5 per cent to $658.3m as primary insurers retained more of their business, rather than lay it off with re-insurers. However, General Re said that there was no evidence of price deterioration in re-insurance.

In the nine months General Re reported net income of $337.1m, or $3.69 a share, as against $211.4m, or $2.08, on an increase in net written premiums of $2.05bn, as against $2.1bn.

General Re, whose stock has fallen only about 10 per cent in the crash, said 15 per cent of its total invested assets, and 40 per cent of its shareholders' funds, were in common stocks other than its own affiliates.

Bell Canada shows 10% drop in profits

BY DAVID OWEN IN TORONTO

BELL CANADA, Enterprises, the diversified telecommunications company whose subsidiaries include Northern Telecom and Bell Canada, reported a near 10 per cent decline in net income yesterday, with only Nortel contributing more to overall income than it did a year ago.

However, Mr Jean de Grandpré, chairman and chief executive of the Montreal-based company, said that earnings per share remain within expectations and projected that 1987 net income will show some improvement over 1986.

In the latest period net income applicable to common shares totalled C$237m (US$179.5m), or 88 cents a share, compared with C$263m, or C$1.01, a year earlier. Total operating revenues rose nearly 5 per cent to C$3.55bn, from C$3.39bn in 1986.

In the nine months ended September 30 net income slipped C$722m, or C$2.69 a share, on revenues of C$10.81bn – down from C$737m, or C$2.89, on revenues of C$10.01bn in the corresponding year-earlier period.

Northern Telecom's contribution to third-quarter earnings was up marginally to C$45m from C$44m a year earlier. In the nine months the telecommunications equipment manufacturing subsidiary contributed C$133m, compared with just C$117m in 1986.

Third-quarter net income at Bell Canada, meanwhile, tumbled to C$180m from C$183m in 1986, and its contribution to BCE earnings to C$173m from C$179m over the same period. At the nine-month stage the company's earnings rose to C$543m from C$522m, however, and its contribution to BCE earnings correspondingly increased to C$522m.

Calgary-based energy company TransCanada PipeLines contributed just C$11m to third-quarter income – down from C$12m a year ago. At the nine-month stage the unit's contribution totalled C$28m.

The 1987 contribution reflects BCE's share of a C$8.4m reduction in the company's previously reported 1986 earnings because of a regulatory decision to cut natural gas transmission tolls during the year.

Entregrowth still wants to buy US paint company

ENTREGROWTH International of Auckland, New Zealand, yesterday told US government regulators that it was still interested in acquiring Standard Brands Paint, Reuter reports from Washington.

Entregrowth offered to acquire Standard Brands in July for a package of cash and securities it valued at $28 a share, but that proposal was declined by Standard Brands on July 24.

In a filing with the Securities and Exchange Commission (SEC), a group of companies including Entregrowth said it currently held 749,300 shares of Standard Brands common stock, or 6.7 per cent of the company's common stock outstanding.

The group led by Entregrowth said it preferred to acquire Standard Brands in a negotiated transaction but added it might seek control of the company through a tender offer, open market and private stock purchases, or otherwise.

On July 16, Entregrowth offered to acquire Standard Brands with the involvement of the company's senior management at $21 a share in cash, plus convertible debentures with a trading value of $7.

If it succeeded in gaining control of the company, Entregrowth said it planned to convert Standard Brands into a paint and home decorator speciality retailer operating from a larger number of small retail units.

Icahn buys more of TWA

BY OUR NEW YORK STAFF

MR CARL ICAHN, chairman of TWA who is attempting to take full ownership of the airline, has taken advantage of the stock market's fall to increase his TWA stake a notch to 74.9 per cent at depressed prices.

Mr Icahn, who dropped his offer, worth $1.24bn, to buy out the other TWA stockholders when the market crashed 10 days ago, said he had gone back into the market and bought 651,400 shares between October 22 and October 27 at prices ranging from $16.75 to $19.75.

TWA shares stood at $28 before the offer was dropped.

Trelleborg up 140% at eight month level

By Sara Webb in Stockholm

TRELLEBORG, the rapidly growing Swedish rubber and plastics group, reports a 140 per cent increase in profits in the first eight months of 1987.

The upsurge follows a sharp increase in sales due to acquisitions made over the past year and the consolidation of results from Boliden, the mining, metals and chemicals group.

North American quarterly results, Page 47

Trelleborg confirmed yesterday that it had decided to go ahead with its bid for the outstanding shares in Boliden despite the stock market crash.

Trelleborg said that profits (after financial items) had risen to SKr471m ($76m) compared with SKr196m the previous year. Full-year profits are expected to reach SKr700m.

Group turnover for the first eight months totalled SKr10.74bn, compared with SKr1.74bn last year. Boliden has been consolidated since January 1 this year, accounting for much of the improvement in Trelleborg's figures.

Since taking an initial stake in Boliden over a year ago, Trelleborg has put in new management, and the group has been restructured and put back on its feet after making record losses of about SKr1bn in 1986 on turnover of SKr12.3bn.

Boliden's profits for 1987 as a whole are expected to reach SKr400m after financial items.

Beatrice in discussions with buyers

By Deborah Hargreaves in Chicago

TOP EXECUTIVES at Chicago-based Beatrice food company met potential buyers of the corporation yesterday in a fact-finding mission.

The executives who were on hand at an undisclosed downtown Chicago location were expected to meet their opposite numbers from some six conglomerates that are interested in the company.

Interest has been expressed by such giants as R.J.R. Nabisco, Ralston Purina, the St Louis-based food company, and Unilever.

Quaker Oats, H.J. Heinz and Pillsbury were also expected to be at the meeting. But observers suspect only Unilever or R.J.R. could raise the financing to meet Beatrice's $5bn price tag.

Beatrice, which was taken private in April 1985 by a management buy-out, has since sold off some $3.5bn in assets and spun off its non-food companies in the newly formed E-II Holdings.

The food operations still remaining under the auspices of Beatrice had sales of $4.6bn in the fiscal year ended February, with earnings for that period at $352m. These divisions include Hunt-Wesson, which makes edible oils and tomato products, Swift-Ekrich meats, Tropicana orange juice and a cheese unit.

Beatrice expects the sale to be completed by the end of the year.

Canadian trust doubles earnings

By Robert Gibbens in Montreal

MONTREAL TRUSTCO, Canada's fourth-largest trust company, almost doubled its earnings in the first nine months of 1987.

Revenues were C$686m (US$254m), up from C$420m a year earlier, and net profit was C$40.2m, or C$1.65 a share, against C$19.6m, or 76 cents. Third-quarter earnings equalled 55 cents against 25 cents. Average shares outstanding in the nine months totalled 33m against 26m.

Total assets of Montreal Trust, part of the financial services group of Montreal financier Mr Paul Desmarais's Power Corporation of Canada, reached C$7.5bn, up from C$6.3bn a year earlier.

Each of the company's divisions, from fiduciary services to real estate and money management, produced major gains in performance.

Komatsu warning on UK plant performance

Guy de Jonquieres reports on a possible change of heart by a Japanese manufacturer in Europe

KOMATSU, the Japanese earth-moving equipment manufacturer, whose UK plant is the subject of a European Community dumping investigation, has expressed severe disappointment in the plant's performance.

It has warned that, unless there is a sharp improvement, it may have to consider other sites for its future European expansion.

Mr J. Akastsu, Komatsu's production director, said in an interview in Tokyo that output at the plant at Birtley, near Newcastle, northern England, was running at only half the planned level.

He said its costs were 20 to 25 per cent above those in Japan. Only one of the products being made there, an excavator, was being produced satisfactorily.

The plant, formerly owned by Caterpillar, Komatsu's US rival, started operations in October last year.

"We have not yet concluded that Birtley is bad," Mr Akatsu said. "We want it to develop as much as it can, and I expect some change for the better next year. But if it does not improve in the future, we may have to think about a new plant in Europe."

He blamed most of the plant's problems on its UK sub-contractors, most of whom, he claimed, were failing to deliver parts of suitable quality on time and at the cost required by Komatsu.

This was despite Komatsu's willingness to extend technical help and offers of special financial aid by the UK Department of Trade and Industry.

Mr Akatsu said some of the sub-contractors were learning to meet Komatsu's needs. "I have not given them up," he said.

However, he expected Birtley's output this year to be half the planned £45m ($76.5m), and he doubted whether plans to achieve production worth £90m next year were still realistic.

Problems at Birtley were also holding up Komatsu's drive to produce more outside Japan.

The company was considering raising overseas production from an estimated 7.5 per cent of total sales this year to about 35 per cent in three to four years by expanding its manufacturing capacity in the US and Western Europe.

However, Mr Akatsu said that the Komatsu board would be unlikely to approve such a big investment programme until it was satisfied that production at Birtley could be profitable.

The Japanese company's criticisms of its UK suppliers followed the launch by the European community last week of an investigation into accusations by some European manufacturers that local content at the Birtley plant had failed to reach the 60 per cent level by value required by Community rules.

The investigation was the second started by the EC under a new law intended to prevent Japanese exporters from evading anti-dumping levies by setting up European assembly plants which rely heavily on imported parts.

Komatsu has insisted that local content at the Birtley plant is at 60 per cent. It says this has been confirmed by an audit of its UK operation carried out by an independent firm of accountants.

The Birtley plant is Komatsu's first production facility in the EC. The company, one of the world's largest makers of earth-moving equipment, also has plants in the US, Brazil, Mexico, and Indonesia as well as in Japan.

US steel groups benefit from higher prices and firm demand

BY OUR NEW YORK STAFF

THE THREE largest US integrated steel companies, enjoying their first sustained improvement in prices and demand this decade, have reported better profits for the third quarter to September.

Bethlehem Steel and LTV both reported profits for the September quarter after losses in the third quarter of 1986. USX, the market leader, earlier reported a 34 per cent increase in net income.

All three results are heavily distorted by accounting and tax effects of the industry's massive reorganisation while LTV enjoys various profit benefits from operating under bankruptcy protection.

But a fall in the dollar and increased volume appear to be working through to steel operations, with USX posting a respectable $150m operating profits from $1.1bn in steel revenues.

LTV, which operates a highly profitable defence and aerospace business as well as its steel mills, reported net income of $72.7m, or 59 cents a share, against a loss of $2.07bn in the 1986 third quarter.

A special tax credit of $37m raised net income in the most recent quarter to $109.7m, or 91 cents. The 1986 loss was caused by a special charge of $2.1bn to recognise the massive impairment of the steel business on going into the Chapter 11 bankruptcy proceedings.

In the nine months to September, LTV reported net income of $214.9m, or $1.77, against a loss of $2.8bn. Sales revenues were $1.75bn against $1.73bn in the quarter and $5.6bn against $5.35bn in the nine months.

Bethlehem Steel, which was long thought to be the next candidate for bankruptcy, reported third-quarter earnings of $30.4m, or 47 cents, as against a loss of $71.3m in the 1986 September quarter. Although the result was flattered by an investment tax credit refund of $32.5m, Mr Walter Williams, chairman, said he expected both operating and net income in the current quarter.

Nine-month earnings were $102.8m, or $1.65, against a loss of $186.9m. Sales revenues were $1.16bn against $1.03bn in the quarter and $3.42bn against $3.31bn in the nine months.

USX, which has diversified into oil and gas, reported net income of $140m, or 46 cents, against a loss of $183m in the 1986 September quarter when the steel operation was strike bound. In the nine months USX reported earnings of $233m, or 67 cents, against a loss of $418m.

Sales revenues were $3.86bn against $3.34bn in the quarter and $10.60bn against $12.17bn in the nine months.

Motorola launches powerful 32-bit chip

BY LOUISE KEHOE IN SAN FRANCISCO

MOTOROLA, the US electronics and semiconductor manufacturer, yesterday launched what it claims was the most powerful microprocessor to date in a major challenge to Intel, the current market leader.

The new Motorola chip, the 68030 32-bit microprocessor, was twice as powerful as the Intel 386 which formed the "brains" of high performance personal computers launched this year by IBM and Compaq, Motorola executives claimed.

The new 030 also increased performance by a factor of two over the previous generation of Motorola micros used by companies such as Apple Computer in their high-end personal computers and workstations.

Motorola predicted that the 030 would enable systems manufacturers to sell powerful 32-bit computer systems for about $2,000. At present, 32-bit systems sell for between $6,000 and $8,000.

Dr Murray Goldman, senior vice president and general manager of Motorola's microprocessor products group, said, "32-bit computing, an exclusive high-end technology, was made available to many through Motorola's previous generation of microprocessors. The 030 will finally make 32-bit computers truly a mass market standard."

The Motorola 030 has been tested in prototype quantities by major customers including Apple Computer, Sun Microsystems, Northern Telecom, NCR and Unisys over the past six months, the company said.

The chip was now available in production quantities, and the first computer systems based on the new chip should appear early in 1988, Dr Goldman said.

Income for US brewer jumps 19%

By Our New York Staff

ANHEUSER-BUSCH, the world's largest brewer, has shown a 19.2 per cent increase in third-quarter net income to $192.5m, or 65 cents a share, as its beer brands added to their already dominant US market share.

The St Louis group, which brews such well-known beers as Budweiser and Michelob, saw sales revenues in the September quarter increase a more modest 6 per cent to $2.35bn. The volume improvement was 3 per cent to give a domestic market share of 39.4 per cent in the first nine months as against 37.6 per cent in the same period of 1986.

Mr August Busch, chairman, said the group's "volume gains will continue significantly to outpace industry growth."

In the nine months to September, Anheuser-Busch reported net income of $505.1m, or $1.67 a share, an increase of 19.1 per cent over the first nine months of 1986. Sales revenues increased 7.9 per cent to $6.8bn.

Mr Busch said: "We remain confident of future gains based on continued market share penetration, a moderate cost outlook and continued productivity gains."

Rand Mines earns less but raises payout

By Jim Jones in Johannesburg

RAND MINES, the mining arm of South Africa's Barlow Rand group, was affected by lower export minerals prices in the year to September but has nevertheless increased its dividend.

The group's turnover, which is derived largely from sales of minerals other than gold, slipped to R760m ($376.2m) from R787m in part because a chrome mine was swapped for a minority interest in a vanadium mine development. Pre-tax operating profit fell to R230.7m from R281.9m.

The directors say that the setback was not entirely due to poorer coal exports and prices. Rand Mines' collieries are largely dedicated to power stations operated by Escom, the state-owned electricity utility.

Apart from two new collieries being developed to supply Escom, Rand Mines has also begun development of its Rhodium Reefs platinum mine and its Barbrook gold mine, which is located near the eastern Transvaal town of Barberton and will be jointly owned with Anglo American.

Net earnings dropped to R11.17 a share from R11.97, and the year's dividend has been lifted to R4.35 from R4.25.

INTL. COMPANIES & FINANCE

George Graham on a French newsprint group's latest rescue plan

Buyers queue at Chapelle d'Arblay

CHAPELLE D'ARBLAY, the French newsprint manufacturer rescued by the Socialist Government from bankruptcy in 1983, faces another liquidity crisis this weekend.

The papermaker, which narrowly avoided default two weeks ago, must find another FFr60m ($10.2m) by the end of the month to pay its suppliers, many of whom have stopped offering their usual credit conditions.

Salvaged four years ago with a total of FFr2.3bn of government subsidies and loans at symbolic interest rates, Chapelle d'Arblay had the remaining FFr350m of state aid frozen last year when the right wing Government of Mr Jacques Chirac came to power.

Now, the company is on the brink of another bankruptcy - an outcome which would not displease some government officials, since it would wipe the slate clean and allow a new solution to be developed.

It would also allow the Government to force out Mr John Kila, the Dutch Canadian industrialist who took control of Chapelle d'Arblay in 1984 with the backing of the state's subsidies, and who is now at odds with the administration.

"My biggest problem is that I do not know what the Government is doing," he says.

"I have been 39 years in the pulp and paper industry. One of the few things that I know how to do is to finance, build and run a paper mill. I am not very good at politics."

He claims that the Government is keen to push Chapelle d'Arblay into bankruptcy so that it can say that the company was a lame duck, that the rescue plan of the last Socialist Government never worked and that it is the current Government which is the papermaker's real saviour.

From the viewpoint of Mr Alain Madelin, the French Industry Minister, Mr Kila is all too good at politics. He sees it as no accident that one of Chapelle d'Arblay's mills is sited in the constituency of Mr Laurent Fabius, the former Socialist Industry Minister and then Prime Minister under whom the state subsidies were granted.

Mr Madelin said: "In reality, Mr Kila has put in FFr1m of his own money and succeeded in mobilising FFr2bn of state aid for a company in which he has 51 per cent control. The ratio of one to 2000 is dangerous and fragile."

Hovering around the struggling newsprint manufacturer are at least five paper groups ready to come in as rescuer or partner. Mr Kila's preferred candidate, KNP of the Netherlands, has taken its studies furthest, and its board is due to take a preliminary decision on Monday.

The French groups which have toured Chapelle d'Arblay's mills are Cellulose du Pin, in conjunction with Sweden's SCA, Beghin-Say with Feldmuehle of West Germany, Alicel with the Swedish group Modo, and Pinault with Canada's Cascades.

A late entrant to the lists is the publishing group Hachette, which after voicing its concern over the future of a French domestic newsprint supplier has been asked to come up with a rescue plan.

Mr Kila complains: "We have had visits from the craziest people. A guy with a nylon stocking factory comes to visit and wants all my costs, my customers, my pricing structures."

Alain Madelin: ready to reduce state aid

The prize in this wrangling is a company whose sales currently amount to FFr1.8bn a year, and which, according to Mr Kila, is on the way to operating profits of between FFr10m to FFr20m this year.

The financial problem comes from the costs of rebuilding two mills, a newsprint line at Grand-Couronne, already started up, but not yet functioning at full capacity, and a line at St Etienne du Rouvray producing lightweight coated paper (LWC) for magazines, due to start up on November 10 but now probably delayed by Chapelle d'Arblay's difficulties.

It is the cost of these mills which Mr Kila claims had a[lready] been ordered when th[e] Government froze the la[st] FFr350m of subsidies - whic[h] weighs on Chapelle d'Arblay to[day]. But the company and th[e] state are not in full accord o[n] how much money is still neede[d] to carry the company through.

With these two new lines Cha[pelle] d'Arblay will have the ca[pacity] to produce 275,000 tonne[s] per year of newsprint an[d] 200,000 of coated paper, in [a] market that Mr Kila describe[s] as very tight.

He says: "I would never hav[e] said in 1983 that we could hav[e] a shortage of newsprint, bu[t] now there is a shortage. Th[e] LWC market was viewed then a[s] weak, but today you can sell ev[ery] pound you make."

Three old machines hav[e] been transferred to a separat[e] company operating under con[tract] with Chapelle d'Arblay, i[n] order to remain within the ca[pacity] limits agreed with th[e] European Commission at th[e] time of the original subsidy ac[cord].

The industrialist is als[o] proud that he has switched Cha[pelle] d'Arblay from large[ly] Russian supplies to 100 per cen[t] French wood. The company i[s] also increasing its use of pine[,] technically more difficult t[o] handle because it is darker i[n] colour and contains more juic[e] - from 30 per cent to a target o[f] 40 per cent.

But time is running out fo[r] France's leading newsprin[t] maker, and without another ex[tension] from its creditors M[r] Kila will have difficulty stayin[g] in control.

Second Danish bank fails

By Hilary Barnes in Copenhagen

C & G BANK, a small specialist bank, suspended payments on Wednesday, the second Danish bank to fail this year.

Mr Karsten Hillestroem, managing director of the Bankers' Association, said that the collapse brought a spate of criticisms of the Bank Inspectorate "which needs a substantial strengthening."

The bank's problems arose last summer, when it overstepped the legal limits for loans and guarantees to a single customer.

The four main shareholders, with 80 per cent of the capital, Kirkbi Invest, associated with the Lego toys group, two pension funds and Electrolux, the Swedish group, put up DKr125m ($18.6m) in new capital in recent months. But a more thorough examination of the books over the past two weeks revealed that the bank needed additional capital of DKr300m to make it solvent. When shareholders declined to pay up, the bank was forced to close.

SKF edges ahead to SKr1bn

BY SARA WEBB IN STOCKHOLM

SKF OF Sweden, the leading manufacturer of roller bearings, reported an increase in profits after financial items of 3.5 per cent to SKr1.09bn ($175m) in the first nine months of this year, while sales rose by 6.8 per cent to SKr14.44bn, compared with the same period last year.

Comparative figures have been adjusted to exclude steel operations which are no longer a consolidated part of SKF accounts since they were merged last year in a joint venture with Ovako of Finland.

Sales of bearings rose by 7 per cent to SKr12.3bn, and although profits after financial items for bearings remained unchanged at SKr800m during the first nine months, profits for this division showed a downturn in the third quarter at SKr219m against SKr263m in the same period last year.

The strength of the D-Mark during the first nine months - which has affected West Germany's export industry - had a negative effect on SKF's business as it is a supplier to the West German automotive industry.

SKF said that overcapacity in the bearings industry had put strong pressure on prices. The group said there was severe price competition from low-cost countries marketing miniatur[e] bearings in standard configura[tions], and that SKF had had t[o] restructure its operations i[n] this field, incurring job-cu[t] costs during the third quarter.

The group said that deliverie[s] to the automotive industry de[veloped] more rapidly but tha[t] prices were depressed.

Group sales and earning[s] have improved slowly in th[e] North American market, an[d] more favourably in Latin Amer[ica], India and Asia.

Capital expenditure on prop[erty], plant and equipment to[talled] SKr734m, compared wit[h] SKr598m in the first nin[e] months of 1986.

PLM boosted by restructuring

BY OUR STOCKHOLM CORRESPONDENT

PLM, THE Swedish packaging group, has shown a 78 per cent jump in profits after financial items to SKr173.3m ($27.8m) in the first nine months of the year.

The increase was due to strong improvements in earnings for the metal and glass divisions and was helped by restructuring measures.

Full-year profits before extraordinary items are expected to reach SKr230m, compared with SKr165.8m in 1986.

Industrivaerden, the Swedish investment company which is a major shareholder in PLM, made an offer for outstanding shares in the packaging group on Monday.

PLM sales dropped by 5 per cent in the third quarter t[o] SKr1.01bn due to poor weathe[r] during the summer month[s] which affected sales of drin[k] and food containers.

Sales rose by 7 per cent t[o] SKr3.1bn during the nin[e] months, though for directl[y] comparable units sales re[mained] at the same level as las[t] year.

GBL forecasts profits rise

BY OUR FINANCIAL STAFF

GROUPE BRUXELLES Lambert, the big Belgian holding company, expects to increase profits this year and as a result will pay a higher dividend.

As a first step the directors have decided to raise the net interim dividend by 2 per cent to BFr51 per common share, up from BFr50 a year-earlier. The dividend for AFV stock, shares issued under a special tax circumstances, will be BFr54.40, up from BFr53.33.

The company stressed that it expected profits this year to show an increase over 1986, which should allow for an increase in the dividend for the year, the GBL board added.

Earlier this year the company reported a consolidated net profit of BFr5.24bn ($143m) for the first six months of 1987, up 2 per cent from the BFr5.135bn in the same period of 1986.

The company paid a dividend totaling BFr119 on its common shares for 1986 as a whole, up 8 per cent from the BFr110 of 1985.

Mixed results at Sharp and Casio

BY STEFAN WAGSTYL IN TOKYO

SHARP and Casio Computer, two leading Japanese electronics companies which have been hit by the appreciation of the yen, yesterday reported sharply differing interim results.

Sharp's profits for the six months to September fell 21 per cent to Y18.98bn ($136.5m) pre-tax due mainly to a Y24.3bn foreign exchange loss.

At Casio, pre-tax profits recovered 61 per cent from the depressed 1986 interim result to Y3.24bn.

Both companies have been trying to increase domestic sales to replace export sales lost to competitors in other, low-cost, East Asian countries.

But they face severe competition from larger rivals, including Matsushita, which have also redirected their marketing efforts to the home market.

Both Sharp and Casio earn a substantial proportion of their profits from zaitech - investment in the financial markets.

For the six months to September, Casio's sales rose just 3.2 per cent to Y106.6bn. Sales of electronic calculators and watches, its biggest lines, were down by 4 to 5 per cent; sales of newer products - electronic musical instruments and liquid crystal television sets - were up by more than 10 per cent.

Casio said the profit improvement was due to strong sales of high-margin goods and cost cuts.

As a result, operating profits trebled to Y1.37bn from Y430m, but this still accounted for only 42 per cent of the pre-tax total, showing the importance of zaitech. Net profits were Y1.77bn against Y1.28bn.

For the full year, Casio is forecasting an 88 per cent profit increase to Y8bn pre-tax, or Y16.6 a share, on sales of Y230bn, up 13 per cent. The dividend is to stay unchanged at Y12.50.

Sharp is even more reliant on zaitech, with operating profits of Y4.55bn, down from Y5.87bn, just 24 per cent of the pre-tax total.

Its sales were 7 per cent down at Y418.2bn, due mainly to a 20 per cent decline in exports. The interim dividend is unchanged at Y5.50.

The company is expecting some improvement in the second half since growing domestic sales mean that export sales have fallen below 50 per cent of the group total for the first time in eight years.

Sharp expects a 3 per cent rise in pre-tax profits to Y39bn, on unchanged sales of Y870bn. This is slightly lower than the company's previous forecast - indicating the competitive pressure it is feeling.

Australian market crash claims first big victim

BY BRUCE JACQUES IN SYDNEY

MR YOSSE GOLDBERG, a Perth entrepreneur, became the first major victim of the Australian share market crash when his Western Continental Corporation was placed in receivership late on Wednesday night.

The company's directors, after requesting the Perth Stock Exchange to suspend its shares earlier that day, called in Pannell Kerr Forster, the accounting firm, to examine the books and by midnight they had appointed receivers.

The collapse, coming only days after the A$380m (US$265.7m) rescue package for Rothwells, Mr Laurie Connell's Perth merchant bank, has further dented Australian business confidence and spurred the stock market to another big fall yesterday.

Mr Goldberg owns about 40 per cent of Western Continental. The company's principal activity was share trading and it was believed to be particularly exposed through a large parcel of shares in MIM Holdings, the resources group, which has fallen by about 40 per cent in the market crash.

Western Continental produced net profits of A$11.4m in the year to June, following a A$6.7m loss the previous year.

It is likely to be some weeks before the company's financial position is determined, but the main credit lines were believed to come from Standard Chartered Bank.

Wesgo in A$71m deal for AWA broadcasting assets

BY OUR SYDNEY CORRESPONDENT

WESGO HOLDINGS of Sydney has challenged Hoyts Media's recently won position as Australia's leading radio operator with a A$71.5m (US$50m) deal to buy the broadcasting assets of the troubled Amalgamated Wireless Australasia (AWA) group.

The purchase follows a bidding contest which was believed to include Mr Christopher Skase's Qintex group and Amalgamated Holdings.

AWA said the offer was the best received, providing for a substantial up-front payment.

The deal, which involves seven radio stations, means Wesgo will own stations in five leading cities with strong representation along Australia's populous east coast.

For AWA, the deal is a key part of its corporate restructuring which followed a disastrous A$50m foreign exchange loss in 1986-87.

It is the second big ownership change in the Australian radio industry in as many weeks, following a A$151m purchase by the recently listed Hoyts Media of nine radio stations from Northern Star Holdings.

Hoyts retains a stake of about 12 per cent in Wesgo, involving it in the company's latest purchase.

But Hoyts appears to be prohibited from moving further up the Wesgo register by a federal government limit of 16 stations for any one proprietor.

SAB offshoots raise earnings

BY JIM JONES IN JOHANNESBURG

REAL GROWTH in consumer spending in South Africa aided interim results at two of the country's leading apparel and household stores groups, both of which are quoted offshoots of South African Breweries.

Edgars Stores, which sells clothing, footwear and fashion accessories, lifted turnover by 28 per cent in the six months to September to R543m ($268.8m) from R423m. Pre-tax profits were R55.2m against R35.0m.

The directors expect further sales and profit increases in the second half but say that much depends on trading over the Christmas season. They add that merchandise stocks are in line with forward sales projections and that bad debts have been reduced.

Net earnings were R13.13 a share against R8.53 and the interim dividend has been lifted to R3.20 from R2.15. Last year's total earnings were R18.95 cents and the year's dividend was R8.

Amrel, a furniture and footwear retailer, benefited from stricter asset management and lower interest rates in the same six months. Turnover rose to R311.4m from R293.5m, although the figures are not strictly comparable as the Uniewinkels chain was sold at the end of March.

The interim pre-tax profit more than doubled to R12.58m from R5.97m.

The directors are encouraged by the return of real sales growth in the furniture sector, where sales were helped by lower interest rates. The footwear division returned to profits.

Sales are expected to continue growing in the second half but at a slower rate than in the first half.

First-half net earnings rose to 75 cents a share from 34 cents and the interim dividend has been lifted to 25 cents from 11 cents. Last year's total earnings were 154 cents and the year's dividend was 51 cents.

Leading Israeli group further in red

BY JUDITH MALTZ IN JERUSALEM

KOOR, Israel's leading industrial group, has reported record losses of Shk94m ($59m) for the first six months of the year, a sharp increase over the $13m loss registered in the same period of 1986.

The deterioration in the group's performance was attributed to higher financing costs, wage increases imposed by the country's labour federation and losses suffered by key subsidiaries, as a result of reduced orders from the Israeli Defence Ministry.

Soltam, a unit which was once a leading manufacturer of arms and ammunition, was forced to close down temporarily several months ago following severe financial difficulties.

Tadiran, another subsidiary which makes civilian and military electronics, finished the first half year in the red, defying previous forecasts by losing close to $5m.

Koor recently announced its intention to shed part of its shareholding in this troubled company.

Mr Shevach Ophir, Koor financial director, said yesterday the group's current financial plight mirrored that of Israeli industry as a whole.

The company's operational performance, by contrast, showed an improvement, with total sales up by 5 per cent to Shk1.9bn, thanks mostly to a 25 per cent jump in exports.

Overseas sales have traditionally accounted for about a third of Koor's total turnover.

Mr Ophir said that, as part of a wide-ranging recovery programme adopted six months ago, Koor would close down additional plants which "have no chance," while slightly expanding the operations of its more profitable enterprises.

He forecast that the group, itself a subsidiary of Hevrat Ha'ovdim, the labour federation-owned holding company, would break even in the second half of the year, but would not begin to show net profits until 1989.

Ariadne plans to resume Renouf control

By Our Financial Staff

ARIADNE Australia, the Brisbane investment group headed by Mr Bruce Judge, is to resume control of New Zealand's Renouf Corporation after what it described as the failure to obtain settlement of share transactions with both the company and Sir Francis Renouf, who stepped down this week as chairman.

The Ariadne holding in Renouf has varied widely this year amid a complex series of deals, and is currently put at just over 10 per cent.

Mr Judge, who had been shifting some of the stake to his own private interests, now plans to inject full ownership of Renouf into Ariadne.

Mr Larry Adler's FAI Insurances last month bought close to 25 per cent of Renouf from Ariadne for about NZ$174m (US$103.8m), retaining a put option which Mr Judge said would now be exercised.

The value of the holding has since more than halved, with Renouf shares trading around NZ$1.28.

This compares with a NZ$3 per share price both for the FAI deal and an agreement with Sir Francis, also in September, under which he and associates were to buy back a stake of some 7.7 per cent. The latter deal has also been unwound.

● Australian Guarantee Corporation, a finance company three quarters owned by Westpac Banking, lifted net profit in the year to September by 4.8 per cent to A$122.4m ([illegible]). This was before extraordinary profits - A$23.1m against losses of A$28.7m - which it said were not likely to recur.

● Commonwealth Banking, the Australian state-owned bank which is being permitted to widen its activities, showed a fall in net profits to A$197.2m in the year to June, from A$298.2m. Provisions for bad and doubtful debts jumped to A$116.1m from A$41.7m. Net assets rose to A$43.89bn from A$39.65bn.

INTERNATIONAL CAPITAL MARKETS & COMPANIES

Stephen Fidler on the disadvantages of having overseas shareholders

Wooing of foreign investors ends

ONE CONSEQUENCE of five years of rising stock markets has been a growing fashion among companies to develop a sizeable group of international shareholders.

Early evidence, though, after the worldwide collapse in stock markets has shown that those companies which have succeeded in expanding their investor base abroad may have paid a price for it.

Mr Michael Howell, European investment strategist at Salomon Brothers says: "It's true that international share issues in the UK have fared worse over the last two weeks than the purely domestic ones."

A broad base of foreign investors has commonly been held to carry several important advantages for a company.

It was supposed to make capital more freely available and cheaper, and to expand the company's international image. For companies in some countries, it helped to circumvent restrictive local regulations or the limitations imposed by a small domestic stock market.

The methods used to raise the number of foreign shareholders, however, have not been without controversy, particularly in the UK.

British institutional investors have been fighting to preserve their rights of first refusal to new share offerings being made by UK companies.

They have vigorously opposed new issues of shares or convertible bonds abroad, pouring scorn on the supposed advantages of building up a base of foreign shareholders and claiming that the offerings conferred little real advantage on companies.

They insinuated that such offerings, which diluted the holdings of existing shareholders, were little more than the result of slick-talking City bankers using their powers of persuasion on gullible corporate treasurers.

They will probably believe their arguments have been borne out by the relatively poor performance of these international shares.

Of course, it was not only through new share offerings that companies attempted to expand their stock of overseas investors. Roadshows to cultivate foreign investor interest became commonplace, and the practice of listing shares on foreign exchanges accelerated.

One of the most significant trends was the expansion in the number of UK companies which listed their shares in the US markets. There was also a phenomenal growth in the market in American depository receipts (ADRs).

The turnover of ADRs in the New York market was estimated at £183.5bn ($311.9bn) during the month of August - equivalent to 8.6 per cent of the London turnover in all domestic shares.

For some companies, such as Reuters, US shareholders are estimated to have regularly been owners of more than 40 per cent of its traded shares. Salomon Brothers estimates that over a six-month period this year ADR trading volume in Reuters shares was regularly running at 150 per cent of the UK volume.

The businesses of some of these UK companies blur the picture somewhat.

Reuters, for example, has suffered from the perception that retrenchment in financial markets will hurt its businesses.

Glaxo's share price was already weakening before the crash, after it produced weaker results than expected. Much of Jaguar's business is in the US, where its expensive cars are expected to suffer from the effect the stock market fall will have on the pockets of the rich.

Some analysts suggest that in difficult times like the present, foreign stocks may be the marginal holdings for many investors, particularly in the US, as they seek defensive strategies.

Analysts speak of a siege mentality among some investors in the US. Even though a weakening dollar would suggest American investors should be holding on to foreign shares, many are moving back within their own borders.

Nobody is suggesting yet that the international market in shares is dead. For companies such as Hanson Trust, with a large amount of revenues derived from the US, there will still be a rationale to cultivate investors there.

For others, such as Philips, the Dutch electronics group, or even perhaps British Petroleum, the domestic market may be too small to be an effective source of capital. The rationale remains that a company's shares should be in the market that values it most highly.

Those in the UK who have opposed equity offerings abroad may well feel vindicated by what has happened to the price of international issues.

One thing is certain - that the collapse in share prices will quieten the controversy for the time being. The likelihood of there being any new international share offerings, by UK or other companies, for several months seems very small.

SHARE PRICE CHANGES FOR UK-BASED COMPANIES WITH ADRs

Company name	Price change (a)	ADR trading volume (b)
Hanson Trust	-26	57.9
Glaxo	-25	65.1
Jaguar	-48	55.9
British Petroleum	-23	53.1
Beecham	-30	8.2
BAT Industries	-40	5.2
Saatchi & Saatchi	-38	70.2
Imperial Chemical Industries	-39	39.7
Reuters	-48	99.5
Shell Transport	-23	22.7
FT All-Share	-30	

(a) between 14/10/87 and 29/10/87 (b) ADR trading volume as % of UK total volume

Japanese in HK futures trading suit

LEADING Japanese and domestic futures trading firms are among those being sued by Hong Kong Futures Guarantee Corporation and ICCH (Hong Kong) for failing to meet margin calls, Reuter reports from Hong Kong.

The writ, served against 39 traders, showed the biggest claims were against Mr Lee Kwok Wing, a local businessman who runs the privately held Solid Futures. The claim was for HK$645.6m (US$82.8m).

Claims against Japanese firms included Bonsar for HK$250.6m and Kobayashi (HK) for HK$18m. A claim for HK$125.9m was filed against Mansion House Commodities.

Five firms named in the suit and suspended from trading by the exchange on Tuesday were earlier reinstated. Among them was Chine Kit, in which Mr Ronald Li, stock exchange chairman, owns a stake.

Action has been terminated against it as well as Okachi International of Japan, Hope Young Commodity Company, Chow Sang Sang Commodities, and Fung Chun Yuen trading as Winsome Futures, all Hong Kong concerns.

Hong Kong Futures Guarantee Corporation provides guarantees against defaults in futures trading.

It received HK$4bn this week in support facilities from banks and the Government to help cover possible defaults. ICCH is the clearing house for the exchange.

● The Chicago Mercantile Exchange has rejected suggestions that its futures and options trading was a factor in the stock market crash.

Mr Leo Melamed, chairman of the CME executive committee, said in Washington: "The Chicago Mercantile Exchange Standard & Poor's 500 futures and options contracts served as a pressure valve on Monday, October 19, as well as during the days that followed."

In a statement to a House of Representatives commerce sub-committee, he added: "Our index markets provided pension fund and other portfolio managers, as well as individual investors, a way to hedge their risk.

"Those who ignore economic conditions and world tensions and blame traders and trading techniques for the market decline are at best naive, and at worst irresponsible.

"We are confident that, as in previous analyses, program trading and our markets will not only be exonerated, but be proved an essential factor in providing investor protections."

Europaper issues double to $42bn

By Alexander Nicoll, Euromarkets Editor

THE AMOUNT of paper issued under short and medium-term note facilities in the Euromarkets doubled in the year to June to reach $42bn, according to figures published today by the Bank for International Settlements.

Based on data from Euroclear, the Brussels-based clearing system, the figures represent the first authoritative estimate of the amount of paper actually in issue.

Figures are compiled for the size of programmes arranged but give no clue to the extent to which they are drawn. The figures include paper issued under commercial paper programmes, underwritten Euronote facilities and medium-term note programmes.

The rapid growth of the short-term Euromarkets is underlined by the BIS comment that the $21bn 12-month expansion is only slightly less than 60 per cent of the increase recorded over the same period in the much larger US commercial paper market.

Uncertainty about interest rates had contributed to the growth, with investors increasingly seeking short-term assets, the BIS said.

A growing amount of short-term Europaper is in very short maturities of between three weeks and a month, reflecting growing integration with the US market.

Another sector to show healthy growth - in this case continuing a recovery from the doldrums - is syndicated lending.

New credits totalled $35.1bn in the first half of 1987, compared with $24.8bn in the previous six months.

The BIS said this was partly due to the virtual closure of the floating rate note market.

"In addition, many firms had recourse to the syndicated loan market for precautionary reasons and, in some instances, as a fallback from the international bond market when issuing conditions became difficult owing to a deterioration in their credit standing."

The BIS estimated that net new bank and bond financing rose $180bn in the first half, a much larger increase than the $100bn and $145bn in the first and second halves of 1986 respectively.

This was attributed partly to a high level of new bank lending, and partly due to reduced overlapping between bank and bond financing. This was because banks bought less securities following the collapse of the FRN market and the rise in interest rates.

Net of redemptions and repurchases, bond financing expanded by $70bn.

Though international bond financing declined during the first half to a gross $105.5bn, compared with $220.7bn in the whole of 1986, the BIS noted a big increase in the amount of fixed rate bonds subject to interest rate and currency swaps.

These rose to $26.3bn in the first half, compared with $29.7bn in the whole of 1986. Yen, US and Australian dollar issues were especially swap-driven.

Malaysian bank returns to black for year

BANK BUMIPUTRA, one of Malaysia's two largest banks, returned to profits in the year to March for the first time since it was bailed out in 1983 by Petronas, the state oil company, Reuter reports from Kuala Lumpur.

Net profits were 5.7m ringgit (US$2.27m) compared with net losses of 277.7m ringgit. Mr Basir Ismail, the chairman, attributed the performance to cuts in costs as well as improved earnings from treasury, banking, and loan operations.

"Nevertheless, a key concern remains - the quality level of our loan portfolio. We have addressed this problem directly and, in some cases, forcefully," he added.

He said the group now had assets of 18.13bn ringgit against 16.7bn ringgit. In the next few years it expects to recover accumulated losses of 601.4m ringgit.

The bank was near collapse in 1982 when Bumiputra Malaysia Finance, its Hong Kong subsidiary, incurred a loan loss of 2.5bn ringgit to the now-defunct Carrian group. It recently issued a long-term loan stock of 450m ringgit to Petronas to improve its capital adequacy ratio to 6.6 from under four.

The bank has 118 branches throughout Malaysia and will concentrate its future lending in growth sectors such as manufacturing, agriculture and tourism, Mr Basir said.

Next year it is to start a securities trading unit, expanding from its existing commercial and merchant banking, discount house, finance company and leasing operations.

Non-dollar prices rally as US unit remains weak

BY CLARE PEARSON

NON-DOLLAR bond prices rallied strongly yesterday after the dollar had hit new post-war lows against the yen.

The dollar remained weak through most of European trading time, despite signals of an easing in monetary policy among US trading partners and central bank intervention to support the currency.

Dealers said the foreign exchange markets seemed determined to push the dollar lower, and were using central bank buying as an opportunity to open up short positions.

However, dollar bonds gained some support late in the day following the Federal Reserve's move to buy the dollar at around DM1.72, and a statement by Mr James Baker, US Treasury Secretary, that Washington supported the Louvre accord.

Price falls in US Treasury bonds were not reflected in the Eurodollar bond market, which saw very low turnover. So, with prices virtually unchanged on the day, yield margins over the US Treasury bond yield curve narrowed slightly after having widened steadily over the last fortnight.

One dealer said small orders from US investors, attracted by the wide yields spreads available on Eurodollar bonds, were beginning to come through. But inter-dealer activity remained substantially down on normal levels.

Euroyen bonds, on the other hand, were actively traded and achieved price rises of around one point at the longer end, reflecting retail demand as well as professional mark-ups.

Dealers said that trading-orientated investors were moving in to pick up bonds that had become anomalously cheap during the long period when the Euroyen sector was out of favour. Overall, bonds yielding 5 per cent and above were in most demand.

The weaker dollar and cheaper D-Mark money rates spurred a strong rally in the D-Mark domestic bond market, where prices rose by up to DM1.60. The average yield fell to 6.20 per cent.

INTERNATIONAL BONDS

Euro-DM bond prices rose by around one point, with supranational issues in most demand.

For instance, a 10-year 6¾ per cent issue for the World Bank rose by 1.40 points to yield 6.46 per cent. This came as DG Bank announced a DM250m 6¼ per cent six-year private placement for the World Bank, priced at 100¼.

The sterling bond markets were awaiting a ½ point cut in bank base lending rates, to steady the equity market if the Government decided to go ahead with the £7.2bn British Petroleum share issue.

But though no cut emerged, gilts still closed around ⅝ point higher in the 10-year area, and Eurosterling bonds of the same maturity around ¾ higher.

Dealers said a ½ point reduction in base rates was already discounted in bond prices, but they believed that UK interest rates could fall still further.

A £50m five-year issue for McDonald's Corporation launched on Wednesday was quoted at less 1¾ bid, within 1⅞ per cent fees.

Banque Paribas Capital Markets aimed to take advantage of the strength of European bond markets with an Ecu100m issue for the European Investment Bank. This was the first Ecu bond for around a month.

The bond carried a 10-year maturity, which looked likely to be unpopular with European investors. But Paribas said the 8⅛ per cent bond, priced at 101½, had been priced cheaply relative to comparable issues in the secondary market.

The bond, which features a purchase fund during the first three years, was quoted at less 2 bid, the level of its full fees.

The Australian bond market came under heavy pressure after the currency had hit new lows on concerns over the implications of world deflation for Australia's commodity-based economy.

This pushed yields on Australian dollar bonds, which were yielding around 13 per cent a few weeks ago, as high as 15½ per cent. A recent 12⅞ per cent bond for Deutsche Bank Australia was bid at less 6¾, to give a yield of 14.93 per cent.

Swiss franc foreign bond prices rose by about ¼ point in busy trading. Credit Suisse announced a SFr150m five-year 4¾ per cent bond for the Republic of Austria, priced at par.

Union Bank of Switzerland led a SFr100m six-year 5⅛ per cent bond for Bell Canada, also priced at par.

Taiwan moves to rejuvenate equities

TAIWAN is to allow brokerage houses to buy shares in domestic mutual funds with their own capital and is to double to six months the period for investors to repay margin loans, Reuter reports from Taipei.

The moves represent further attempts to revive the country's flagging stock market.

Mr Shen Pe-ling, chairman of the Securities and Exchange Commission, said the measures had been put into effect immediately.

The funds are raised locally by four closed-end trust companies, which invest the money on the local stock market.

In a similar move on Monday, the Finance Ministry permitted a 10 percentage point increase in margin loans, allowed local banks to buy stocks and tightened the maximum spread of share price quotes to 3 per cent, from 5 per cent.

Market analysts said they doubted whether the measures could restore investors' confidence. Despite its relative isolation, the market has suffered badly during the collapse in world equity values.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	9.86
All Nippon Air 9⅞ 97	100	[illegible]	[illegible]	0	[illegible]	10.46
American Brands 8⅞ 92	150	[illegible]	[illegible]	0	[illegible]	9.67
A/S Eksportfinans 7⅞ 93	100	90	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅞ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	9.30
Belgium 9⅞ 92	400	[illegible]	[illegible]	[illegible]	[illegible]	9.45
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	-3	10.86
British Telecom 8⅞ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	9.99
Campbell Soup 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.76
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	+1	9.99
Canadian Pac 10⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.C.C.E 7⅞ 91	115	[illegible]	[illegible]	0	[illegible]	9.27
C.N.C.A 7⅞ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola Ent. 8⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	9.54
Credit Lyonnais 9 91	200	97	[illegible]	[illegible]	[illegible]	9.24
Credit National 7⅞ 92	100	[illegible]	[illegible]	[illegible]	+1	9.38
Credit National 7⅞ 91	150	[illegible]	[illegible]	0	[illegible]	9.20
Denmark 7⅞ 92	500	[illegible]	[illegible]	0	[illegible]	9.54
Denmark 8⅞ 91	300	[illegible]	[illegible]	0	[illegible]	9.45
E.E.C 7 91	100	[illegible]	[illegible]	0	[illegible]	9.23
E.E.C. 7⅞ 93	250	[illegible]	91	0	[illegible]	9.92
E.E.C 8⅞ 96	100	[illegible]	[illegible]	0	[illegible]	9.92
E.I.B. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.44
E.I.B. 9⅞ 97	150	[illegible]	[illegible]	[illegible]	0	10.04
Finland 7⅞ 97	200	[illegible]	87	[illegible]	[illegible]	10.14
Finland 7⅞ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Ford Motor Cred 11⅞ 90	100	[illegible]	[illegible]	0	[illegible]	8.95
Gen Elec Credit 10⅞ 00	200	[illegible]	[illegible]	0	[illegible]	10.02
G.M.A.C. 8⅞ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	8.45
Hoesch 8⅞ 97	100	[illegible]	87	0	[illegible]	10.52
Hoesch 7⅞ 92	100	[illegible]	[illegible]	[illegible]	+1	8.77
Hoesch 7⅞ 94	300	[illegible]	[illegible]	0	[illegible]	9.13
Liberty Mutual 8⅞ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	9.99
L.T.C.B of Japan 8 91	100	[illegible]	[illegible]	[illegible]	[illegible]	9.60

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	[illegible]	[illegible]	[illegible]	+3	[illegible]
E.I.B 4⅞ 94	40	[illegible]	[illegible]	+1	[illegible]	[illegible]
Elec. De France 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.47
Hansai Electric 4⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 4⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.80
E.N.C.F. 4⅞ 96	[illegible]	97	[illegible]	[illegible]	+5	5.49
Sweden 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.40

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/S Eksportfin 14⅞ 90 A$	30	[illegible]	[illegible]	[illegible]	[illegible]	16.62
American Brand 9⅞ 94 £	30	[illegible]	[illegible]	[illegible]	+3	10.14
American Express OC 10 94	40	[illegible]	[illegible]	[illegible]	[illegible]	10.73
Bergen Bank 15 90 A$	30	[illegible]	[illegible]	-3	[illegible]	17.23
BP Capital 13⅞ 92 A$	75	[illegible]	[illegible]	[illegible]	[illegible]	15.25
Chrysler Cap 10 91 C$	75	[illegible]	97	[illegible]	[illegible]	[illegible]
C.O.E. 8⅞ 95 LF	600	[illegible]	[illegible]	0	[illegible]	[illegible]
Creditanstalt 14⅞ 90	60	[illegible]	[illegible]	[illegible]	[illegible]	16.23
Denmark 7⅞ 92 ECU	100	[illegible]	[illegible]	[illegible]	[illegible]	7.56
DC Fin. Co. 13⅞ 90 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	14.72
DC Fin. Co. 14 90 A$	75	[illegible]	[illegible]	[illegible]	[illegible]	15.09
DC Finance 14⅞ 92 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	14.50
Deutsche Bank 9⅞ 97 £	75	98	[illegible]	0	[illegible]	10.13
Deutsche Bk 14⅞ 92 A$	100	98	[illegible]	[illegible]	[illegible]	15.37
Dresdner Fin. 13⅞ 91 A$	100	[illegible]	[illegible]	[illegible]	[illegible]	15.66
E.I.B 7⅞ 91 ECU	100	100	[illegible]	[illegible]	+4	7.29
E.I.B 8⅞ 93 LF	1000	[illegible]	[illegible]	[illegible]	[illegible]	7.95
Euratom 7⅞ 97 ECU	145	[illegible]	[illegible]	+2	[illegible]	9.04
Finland 6 91 FL	100	[illegible]	99	[illegible]	[illegible]	6.35
Ford Mtr Cred 13⅞ 91 A$	75	[illegible]	95	[illegible]	[illegible]	15.66
G.M.A.C. 9 92 £	50	[illegible]	[illegible]	0	[illegible]	9.35
G.M.A.C. 9⅞ 92 C$	75	97	[illegible]	[illegible]	[illegible]	10.00
G.M.A.C Aus Fin 14 90 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	16.38

* No information available–previous day's price

† Only one market maker supplied a price

TECHNOLOGY

Computer systems of Stock Exchange firms face a long period of upgrading and replacement, reports Alan Cane

From here to maturity

THE MEMBER firms of the London Stock Exchange have had a year of technological triumph and trauma. Now they face an extended period of change and consolidation as systems hastily cobbled together to meet Big Bang deadlines are upgraded or replaced.

There has been little time for introspection. One senior computer expert this week recalled that the systems he installed coped with an increase in trading volume from 3,000 bargains a day to 7,000 bargains a day without stumbling. "But it is like a nightmare that has now passed by," he said.

In the run up to Big Bang, however, most firms invested heavily in systems for dealing, position keeping and information distribution - the "front office" - and neglected the equally important "back office" areas of clearance and settlement.

The consequences were predictable and have been well publicised. Most firms' front office systems have been able to cope, however shakily, with the substantially increased trading volumes. Settlement has been a nightmare and last week the Exchange implemented its threat to fine firms with old bargains left unsettled.

Perhaps the most significant change in the City over the past year, however, has been a new maturity among member firms regarding the use of technology.

A number have appointed information technology directors to plan their systens strategy and the fear and uncertainty which characterised the hectic run-up to Big Bang has largely disappeared. The dealers know the technology works and they are starting to question the facilities they have available to them and push their systems experts to improve them.

Smith New Court, for example, the City's largest equity market maker, took the sensible decision that the Big Bang timetable was too tight to allow it to develop a sophisticated dealing system. It went into Big Bang using the minimum technology possible, the Stock Exchange's Seaq Level II (market makers' competitive quotes) and Seaq Level III (quote input) services.

Now it is testing the first phase of a highly sophisticated, five phase dealing system.

A recent survey of some 50 City firms by the specialist consultancy Information Solutions showed that 54 per cent of the sample had re-equipped their dealing rooms in the past year, 36 per cent in the past six months.

Furthermore, 76 per cent of the respondents, all of them dealing room or communications managers, expected to re-equip their rooms in the next two years.

This is not unusual. Technology is changing so rapidly that the competitive life of a dealing room these days is usually reckoned at between three and five years.

The survey shows, however, that firms are chiefly interested in enhancements which will give their dealers a competitive edge. Over 60 per cent plan to install decision support systems, software which assembles information and presents it to the dealer in a way which makes trading decisions simpler.

Nigel Killick of Information Solutions argues that automatic deal-capture and position-keeping facilities will be the next major concern for City firms as they replace the present slow and labour intensive methods based on paper dealing slips.

Research he carried out earlier this year showed that only 20 per cent of dealing rooms in the City were equipped with automatic deal capture (ADC) systems, although 76 per cent of the firms he talked to said they would have installed ADC systems by 1990. The implication is that most City firms cannot know their true position at any one time at the moment and could have problems meeting compliance regulations.

ADC would, furthermore, become increasingly important as trading moved progressively towards high volume and low margins.

"The cost savings can be considerable" said Killick. "Automatic deal capture systems can make possible staff savings of up to 20 per cent."

Position keeping is a feature of the Colt dealing system which, with six installations, is the most widely used dealing system in London. Originally a US software package, it was modified for the London market by Software Sciences working with a consortium of the larger firms including Kleinwort Grieveson, Barclays de Zoete Wedd and James Capel.

It was an unlikely recipe for success, but the core system has proved reliable and resilient and each of the consortium members has built its own special features on top.

Paul Harknett, systems director at Grieveson's, says: "We see no need to change Colt for another system in the foreseeable future. It is evolving and developing. It had no problem in coping with the sheer volume of the past few days."

The consortium approach has worked less well for settlement systems. An attempt was made to bind some of the larger members together to develop a core settlement system, but it did not get beyond the point of defining a functional requirements specification. Harknett explains: "Colt worked because we agreed to sink or swim together. There has not been sufficient fear to bind people together to develop settlement systems."

So it is left to individual initiative. Some have simply and deliberately "papered over the cracks" while they plan for a future which will include "Taurus", the Exchange's automated settlement system.

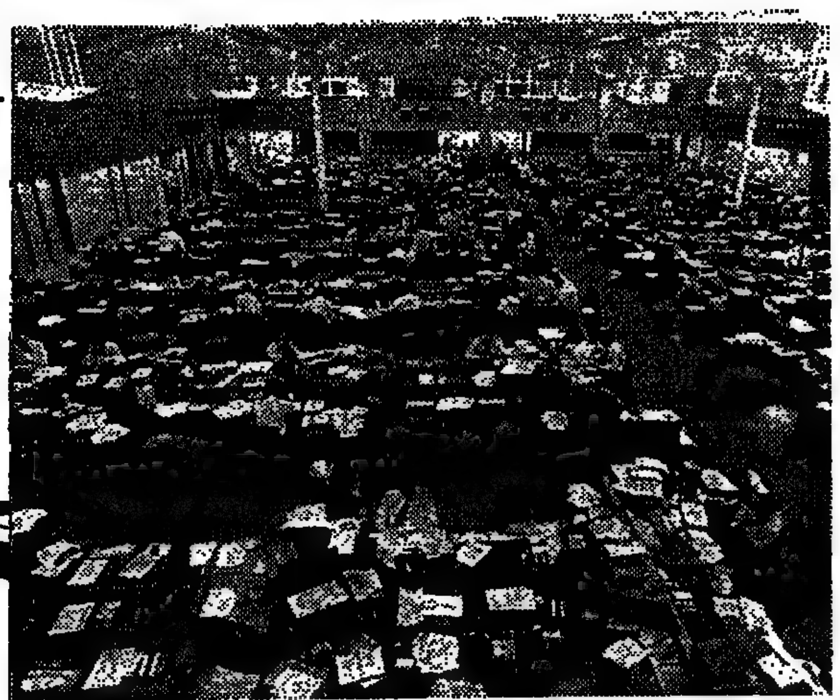
Others are already laying the foundations. Christopher Langford, chief executive of Pershing Keen, which, with Broker Services and FICS, is a clearing member of the Exchange, is in the middle of a detailed and expensive development programme to add capacity to his settlement services. He is spending £2m on a new Unisys computer and some £250,000 a year to rewrite the software. The work will take software house Gordon and Gotch some six to eight months.

Overall, there is a feeling that the systems departments at the Stock Exchange itself have become more sympathetic and easier to deal with, although there is still a residual wariness after the traumas of Big Bang.

"We still feel we have to establish better communication links," says one broker. "We deal with too many separate counterparties."

And the feeling that the Exchange can be insensitive to its members' requirements and ambitions remains as strong as ever. "The Exchange has to realise that it is not the centre of our world," says one member.

Dealing rooms at Barclays de Zoete Wadd (below) and Salomon Brothers (right). Firms are chiefly interested in system enhancements which will give dealers a competitive edge.



Dealers now know the technology works and are starting to question the facilities they have available to them

Opening the door to warmer premises

By Geoffrey Charlish

AN IMPROVED form of heated air curtain has been designed by Shearflow Phoenix of London. Such curtains are particularly useful in industrial and commercial premises where heat is lost through doors being open or in constant use.

Erected over, under or to one side of a door space, the system sends a curtain of air across the opening. This curtain repels cold air trying to enter the building.

The Shearflow equipment uses the latest technology of direct natural gas firing to heat the curtain, which is generated by low-noise, high-pressure fans.

Locking out the computer snoopers

PEOPLE who worry about others snooping on information held in their computers may be helped by Keymaster, a £975 encryption device sold by Master Systems, a company in Britain's Cray Electronics group.

The device guarantees the security of the data-communications traffic by making sure a person keys in a special password. Only machines with the correct password identification are allowed to send messages and only those with a similar designation can receive them.

Live wire area of vehicle design

BY JOHN GRIFFITHS

THE NUMBER of electronic systems fitted to cars and trucks will increase nearly ten-fold to 100m in 1995 and to 200m by the turn of the century, according to consultants BIS Mackintosh.

The forecast is contained in a $19,500 report on the future for vehicle electronics*, which also says that the car of the mid-1990s on average will be fitted with between 50 and 60 sensors.

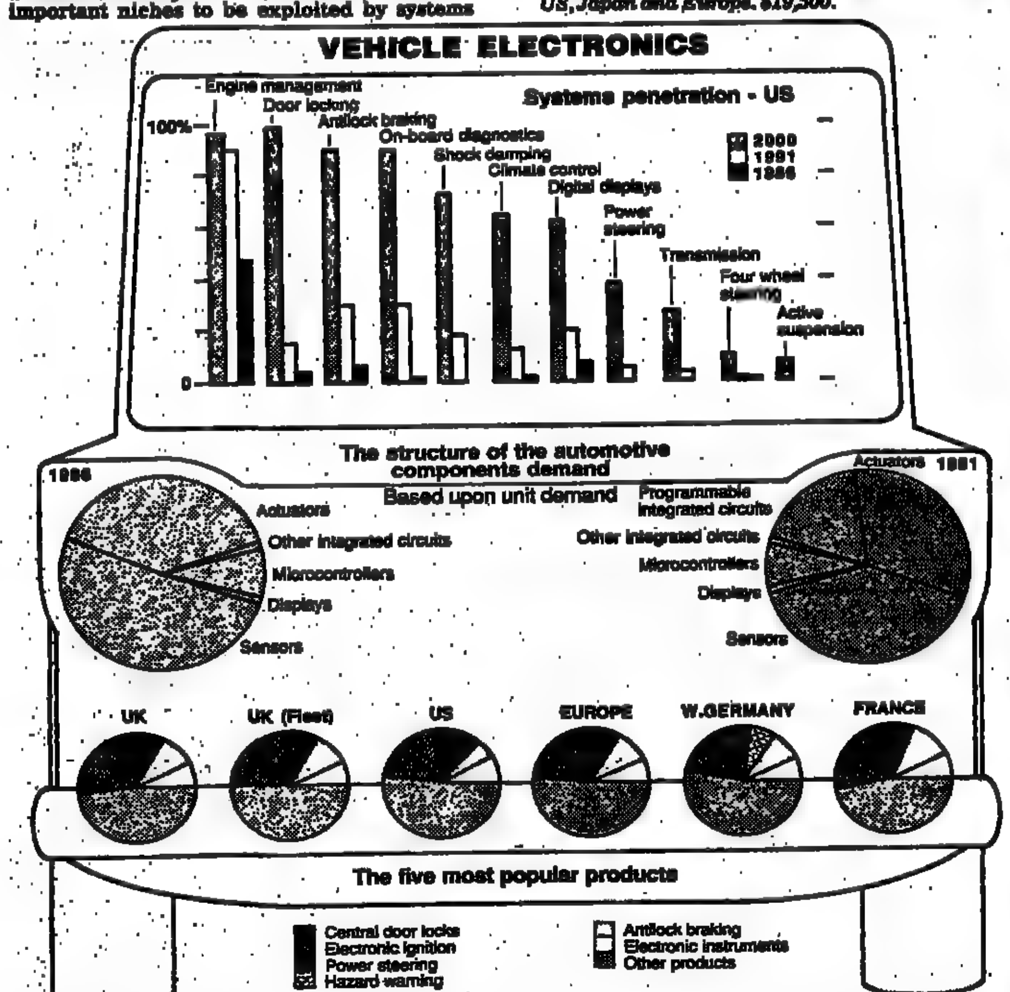
Last year some 12m systems were in use in vehicles, according to BIS Mackintosh, part of the $11bn-a-year-turnover NYNEX group of the US.

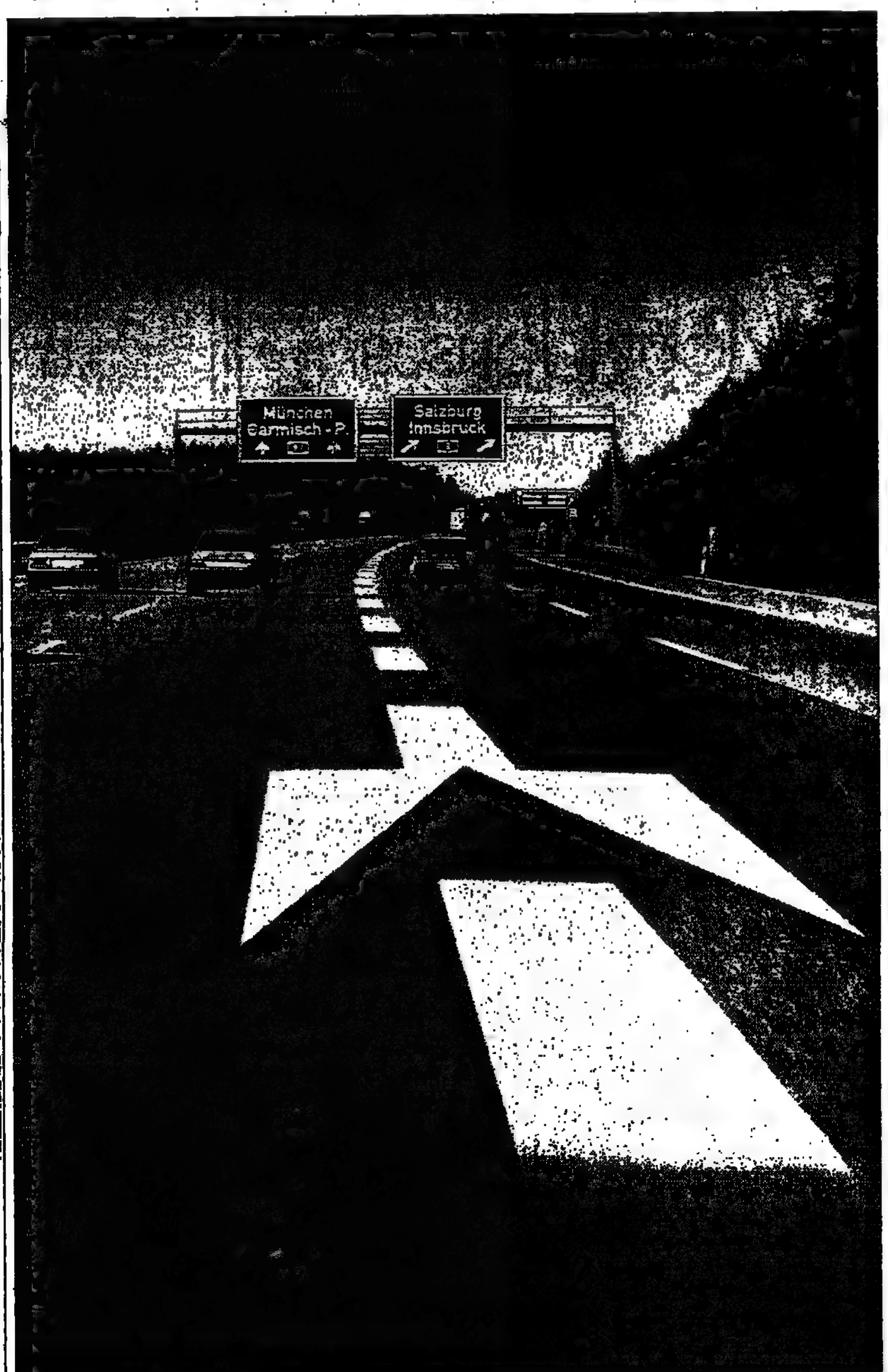
Although competition to supply this growing market is already intense, "there are still some important niches to be exploited by systems suppliers," claims the report. The market for integrated circuits, sensors and other elements of such systems remains open, the report concludes.

Overall, electronics will make up around 17 per cent of a vehicle's cost in ten years' time, compared with 3 per cent now, it predicts.

About half the systems currently in use are for engine management, in which paramaters such as ignition timing and fuel injection duration are controlled by electronic "maps". But other types of system, such as for anti-lock braking and fault diagnosis, will soon become widespread (see chart).

*"Automotive Electronics", BIS Mackintosh, Mackintosh House, Napier Road, Luton LU1 1RG; 4-volume report and inquiry service. Coverage: US, Japan and Europe. $19,500.





UK COMPANY NEWS

SHARES SLIP DESPITE RECORD PROFITS

ICI rises to £313m in third quarter

BY NIKKI TAIT

Imperial Chemical Industries, Britain's largest manufacturing company and often taken as a bellwether for industry generally, yesterday unveiled a record third quarter profit of £313m before tax.

But although that takes the pre-tax total for the nine months to end-September to £1,0004m - slap in line with most analysts' estimates and well up on the equivalent £728m in the first three quarters of 1986 - the news could not stop ICI shares slipping a further 24p to 990p yesterday, as the market contemplated the impact of the falling dollar and US recession on 1988 earnings. Ahead of the current market collapse, ICI was trading at over £16.

ICI's third quarter profits figure compared with £256m in the same period of 1986 - a 22 per cent improvment. The company traditionally sees a seasonal slowdown over the summerholiday period and this time reports a 4 per cent volume decrease, partially offset by a 1 per cent increase in selling prices (in local currencies).

Over the nine month period, group profits are now 38 per cent up on the previous year, with sales 11 per cent higher at £8.29bn. Organic sales volume has risen by 8 per cent, says the company, with acquistions (principally US paints business, Glidden) adding another 5 per cent volume improvement. Selling prices have been some 1 per cent lower on average than in the first nine months of 1986, and currency movements knocked a further 1 per cent off the sterling sales figure.

No break-down in the figures is given at the third quarter stage. However, ICI reports a generally encouraging - if unremarkable - picture for virtually all divisions. On the consumer side, pharmaceuticals saw continued volume growth, in particular in Japan - now a larger market for the company than Britain - and the US, while the paint buisness advanced in both Europe and the States. On the industrial front, raw materials prices moved a little higher but the company says the edging up of selling prices protected margins. One problem spot, fertilisers, remains; however, the company takes comfort from some anti-dumping action and says the business is broadly breaking-even.

Meanwhile, good progress is reported on the integration of the Stauffer agrochemicals business. Following disposals of Stauffer's basic chemical interests to Rhone-Poulenc over the summer and the speciality chemicals side to Akzo, ICI still predicts a 30 per cent gearing level by the year-end.

The tax charge for the first nine months is £390m - the company expects a 35 per cent UK tax rate for the year - leaving net attributable profits of £580m and earnings per share of 87p (68.8p). The company itself was taking a cautious line on the current stockmarket turmoil, saying that "the impact on trade of the current unsettled conditions in the financial and foreign exchange markets cannot yet be assesed" and stressingthat certain parts of its business - pharmaceuticals or agrochemicals for example - are not a forefront of recession-vulnerable industries.

Analysts, too, remain uncertain as to the damage which a weakening dollar and the prospective US downturn will inflict; around one-quarter of ICI's profits derive from the US, and ahead of the current turmoil around 12 per cent of its shares were held in the States. Estimates for 1988 vary considerably, but BZW, for example, was sticking to its 1987 forecast of £1.32bn pre-tax

See Lex

Minorco lifts Gold Fields stake to 28.4%

By Clay Harris

Minorco, the Bermuda-registered company controlled by South Africa's Anglo American Corporation, has raised its stake in Consolidated Gold Fields, the mining finance house, from 27.9 per cent to 28.4 per cent by using at least part of its dividend payments to buy 1m shares in the stock market.

Minorco normally elects for Gold Fields' scrip alternative in order at least to maintain its proportionate holding.

However, because the share basis for the final dividend, due to be paid on December 1, was set at about £14 before the stock market crash, Minorco decided this time to take the cash and buy shares in the market, where Gold Fields has closed as low as 780p in the last few days.

Minorco's previous shareholding entitles it to a final dividend payment of about £18.6m.

Gold Fields shareholders have until next Friday to decide to take the scrip or 18p cash final. Although the decision officially is irrevocable, Gold Fields was yesterday considering requests from holders wishing to change from scrip to cash.

●Gold Fields said yesterday that its total investment in Newmont Mining, the US resources group which it is helping to defend from Mr T Boone Pickens, was approximately in line with the market value.

The 28.1 per cent Newmont stake which Gold Fields held on June 30 cost $28.80 a share, while the net cost of the subsequently acquired 22.6 per cent was $28.80 a share. In early trading yesterday, Newmont shares were $⅝ lower at $31¼, valuing Gold Fields' holding at $1.938bn against an acquisition cost of $974m.

Ivanhoe, the Pickens-led investors group, yesterday extended its tender offer for 28m Newmont shares until November 12. It said that about 6.2m shares, about 9.2 per cent, had been tendered and not withdrawn. Ivanhoe owned nearly 10 per cent of Newmont before launching its bid.

Sound Diffusion sees logic in Tunstall approach

BY MIKE SMITH

Sound Diffusion, the troubled electrical equipment leasing company, said yesterday there was "good commercial logic" for a merger with Tunstall Group, the security equipment company.

But Mr Paul Stonor, chairman, told shareholders at the annual meeting yesterday that Tunstall - which has taken a 4.9 per cent stake in Sound Diffusion and made merger overtures - would have to include a substantial cash element in any offer. He said the company might well receive an approach from another quarter.

Mr Stonor had been expecting trouble at the meeting, following the company's failure to meet its profits forecast last year after a dispute over accounting policies with Ernst & Whinney, its auditor.

"There may be orchestrated efforts to disrupt the meeting," he said, adding that he would close the meeting if there was any "rowdy or selfish behaviour." In the event, the dissident shareholders, who claim the support of 17 per cent of the company's equity, adopted a low profile. Some said after the meeting that they wanted Mr Stonor replaced, but were hopeful of a takeover and did not want to jeopardise it.

Of the two hundred or so shareholders attending the meeting in Brighton Centre, most seemed to support the board. One of them, Mr Frederick Garrity, a retired accountant, received loud applause when he told Mr Stonor he should not accept any takeover bids. "You should fight them off," he said.

Sound Diffusion's troubles result from a disgreement with Ernst & Whinney about when gross profits from leases should be recognised. It had predicted pre-tax profits last year of £10m but could not persuade Ernst & Whinney of its views on accounting policies and audited figures for the year showed pre-tax profits of £5.67m.

Following the disagreement, Ernst & Whinney has resigned and is being replaced as auditor by Arthur Young. Mr Stonor said it was not possible to say how Young would view Sound Diffusion's opinions on accounting policies.

"New sales are below target and it would be irresponsible of me to promise any profits growth in 1987." But, given a period of stability, he had no doubt that the company could quickly return to a high rate of growth.

After the meeting, Mr Michael Dawson, Tunstall chairman, said he was hoping Sound Diffusion could provide information which Tunstall is seeking on the company within the next few days.

AB Foods clarifies statement

BY CLAY HARRIS

Associated British Foods, mounting a cash offer valuing S&W Berisford at £767m, last night issued a statement spelling out precisely when each of its quarry's directors had joined the group and been appointed to the board.

The clarification, issued at the request of the Takeover Panel, followed a statement in ABF's offer document that Berisford's board "comprises essentially the same team as has been in place for the past five years."

It marked the beginning of the final week of skirmishing before the first closing date of the bid next Thursday. Berisford today will publish its defence document, in which it plans to "point out other misleading statements."

Last night's ABF announcement, which Berisford described as a retraction, concluded: "Eight of the 12 present members of the board have been appointed since 1985. Of the nine executive directors, five have been appointed since 1985, one of which was company secretary before appointment."

Berisford shares closed 1p lower at 370p, compared with ABF's 400p cash bid.

Stake raised in Royal Ins.

By Nick Bunker

Jomet Proprietary, one of the vehicles of Mr John Spalvins, the Australian investor, has increased to 6.05 per cent its stake in Royal Insurance, it emerged yesterday.

Royal, the biggest UK-based non-life insurer, said that Jomet Proprietary now had an interest in 28.7m shares. Jomet is owned by the Australian group Adelaide Steamship and associate companies. Mr Spalvins is Adsteam's chairman.

Royal's share price closed up 13p at 393p last night.

Arenson surges 71% to £1.3m

BY FIONA THOMPSON

Arenson Group, St Albans-based manufacturer and distributor of office furniture, yesterday reported a 71 per cent rise in annual profits and earnings per share 65 per cent stronger.

Pre-tax profits for the 12 months to July 31, 1987, were £1.28m, compared with £751,000 the previous year. Earnings increased from 6.05p to 9.97p.

Turnover rose 27 per cent from £15.74m to £19.92m, the majority - 80 per cent - coming from the manufacturing side. From its 230,000 sq ft factory in St Albans, Arenson makes traditional office furniture under its President brand name; and systems furniture, flexible units for free-standing or linked work stations which accommodate power, computer and telecommunications sockets, under the Genesis label.

Mr Archy Arenson, chairman: "Systems furniture market has grown considerably"

"The market for systems furniture has grown considerably in the last few years," said chairman Archy Arenson, who founded the company in 1952.

From a 1981 start and some not inconsiderable teething problems - "the computer manufacturers were cagey about revealing information which made it hard for us to design the desks to take them" - Genesis now represents 65 per cent of the manufacturing sales, up from 45 per cent last year. Margins on systems furniture are about 2 to 3 per cent better than on traditional lines, according to Mr Arenson.

The company's second arm, the Woodstock wholesale distribution company, contributes 20 per cent of turnover.

Having started as a manufacturer of kitchen and dining room furniture, Arenson branched out into office furniture in 1962. It disposed of a loss-making bedroom furniture business in December 1984 and got out of domestic furniture altogether in 1986.

"We decided to concentrate on office furniture, the business we understand and know best," said Mr Arenson. He shifted some of the management and made a £3m investment updating machinery. Arenson now has a 6 to 7 per cent share of the UK office furniture market. Worth £280m to £300m annually, the market has grown by 10 per cent a year in the past five years.

Arenson has no borrowings and £1m cash in hand. "Our order book is 65 per cent stronger than this time last year and I believe there is organic growth still to come for two or three years on both sides of the business," said Mr Arenson.

However, acquisitions are not a top priority: "I feel confident with cash. I haven't been in that position for a long time."

Interest charges dropped from £484,000 to £307,000 and tax took £54,000 against £55,000. A final dividend of 1.35p is proposed, making 1.9p for the year.

●comment

Systems office furniture is a raring growth area. Increasingly, industry, both traditional and service, is computerising, and managements, having gulped then approved a hefty outlay in desk-top technology, are not quibbling over the desks to carry their investment. Arenson has put a lot of effort into improving its product range and, equally as important, its marketing, and it is starting to pay off. Very conscious of some of its earlier mistakes - bedroom furniture, the unsuccessful attempt to set up a distribution subsidiary in the US - Arenson is erring on the side of caution. Not a bad thing in these times. The shares closed 5p up at 80p yesterday. Assuming pre-tax profits for this year of about £2m, this puts them on a prospective p/e of 7, very good value.

COMPANY NEWS IN BRIEF

LONDON SECURITIES has acquired a 30 per stake in Fruit and Produce Export Company of New Zealand. Consideration for the acquisition is NZ$1.06m (£404,000) and in addition it has made a loan of NZ$895,000 to Fruit & Produce which is repayable on September 30 1988 bearing interest at 15 per cent per annum.

ASSOCIATED PAPER Industries is to sell to EIS Group the capital of Airpel Filtration. The initial consideration including repayment of inter-group indebtedness is £825,000 cash. A further sum not exceeding £175,000 cash will be payable related to the performance of AF in the 12 months to October 1 1988.

MMT COMPUTING: Initial consideration for the acquisition of RTL Software Services amounts to £175,000 and will be satisfied by the issue of 35,426 shares in MMT. Further consideration of shares in MMT with a value of up to £208,333 may be payable based on profits of RTL for the year to August 31 1988, and shares in MMT with a value of up to £350,000 based on RTL profits for the year to August 31 1989.

STOTHERT & PITT proposes to cancel all the issued 5 per cent cumulative £1 preference shares. In return the company proposes to pay 114.5p in cash for each share. The repayment includes 14.5p to take account of arrears of dividend since the last payment on July 1 1986.

WILLS GROUP: Bid by Australian Investors Corporation has been declared unconditional after receiving acceptances which boosted its holding to 57.2 per cent. It also has market purchases of 7.5 per cent awaiting delivery. AIC intends to retain Wills' quotation and has made arrangements to place shares which lift its holding above 60 per cent.

ALBERT MARTIN Holdings' £5.36m rights issue has been spurned by its shareholders. They took up only 14.3 per cent of the 3.7m new shares on offer at 145p apiece, well above the price of the company's shares subsequent to the downturn in the market.

WESTMINISTER and Country Properties yesterday requested a temporary suspension of its listing pending an announcement.

Alfred Walker wins Aspinall Holdings

The £90m agreed bid by Alfred Walker - a former Birmingham housebuilding company now being turned into a property and leisure group by former Pleasurama chief, Mr George Martin - for Mayfair casino operator Aspinall Holdings, has been declared unconditional.

The offer had the backing of Sir James Goldsmith, international financier, and Mr John Aspinall, zoo owner, who together held 76.2 per cent of Aspinall's shares. Acceptances have now been received in respect of 50.1m shares or 96.4 per cent of Aspinall's equity.

TR Energy offer

TR Energy, the Touche Remnant managed oil and gas investment company has declared unconditional its bid for Energy Recovery Investment Corporation, the Luxembourg-registered company, after receiving acceptances which boosted its holding to 84.9 per cent of ERIC.

Frogmore rises 16% and sees exceptional year

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Frogmore Estates, the property investment and trading company, yesterday anounced an increase in annual pre-tax profits of nearly 16 per cent and forecast an exceptional current year.

The shares held steady around 258p in a property market which remained uncertain. But they stood at a discount to a net asset value of 300p.

Pre-tax earnings from both ordinary trading and the sale of investment properties for the year to last June came to £15.44m, compared with £13.33m in 1985-86.

The final dividend is 6.468p to make total payment for 1986-87 of 8.606p, against 7.611p for the previous year. Earnings per share, excluding profits from the sale of investment properties, were 29.3p.

During the last financial year Frogmore completed its withdrawal from direct housebuilding but retained an interest in the sector by providing land or finance to joint ventures with other companies.

It continued to build up its portfolio so that the contracted rent roll rose 34 per cent to £11.02m, and expanded its trading activities, which produced £2.5m of profits on a turnover of £16m. At the moment the company has a stock of trading properties which cost around £15m but which meanwhile provide rental income.

The property investment portfolio has been valued at £130.17m.

Mr Dennis Cope, the chairman, said that "results so far this year indicate that an exceptional level of profit may well be achieved."

●comment

Frogmore is one of the lucky property companies that managed to arrange its funding through a rights issue and a bank facility before the market fell. The equity funds have reduced borrowing to a modest £15m and a stronger revenue stream has been built up through the purchase of office blocks in central London and the south east. This year so far property sales of £33m, notably one of £20m to New England Properties, have been made and they provide the basis for Mr Cope's exceptional year. Given the rise in the rent roll and a continuation of normal trading on the basis that Frogmore has established over the last two years, pre-tax profits of £25m for 1987-88, incorporating the sale of investment properties, do not look unrealistic. They in turn would provide a net of around £17.5m.

Bestwood buys

The Bestwood Group, chaired by Mr Tony Cole, has purchased another 250,000 shares of Aitken Hume International raising its stake to 6.01 per cent. Mr Cole said that the shares had become more attractive after the recent market fall.

Suter lifts holding in Metal Closures

BY CLAY HARRIS

Suter, the engineering conglomerate, has raised its stake in Metal Closures, fastenings maker, to 22.8 per cent with the purchase of 400,000 shares on Wednesday.

Mr David Abell, Suter chairman, said that the block was offered to his company at about a 10 per cent discount to market price. The average acquisition cost of Suter's Metal Closures holding has now fallen to about 165p per share, compared with yesterday's close 1p lower at 144p.

Metal Closures, meanwhile, announced the unexpected resignation of Mr Peter Smith, chairman since May 1983, because of personal family commitments. Mr Smith, who has also left the board, will be replaced as non-executive chairman by Mr Richard Graves, who is already a director.

Mr Graves was chairman and chief executive of Brickhouse Dudley until it was taken over by Glynwed. Metal Closures also appointed Mr Harry Legg, recently retired from the board of John Lewis Partnership, as a non-executive director.

Fred. Cooper profits near doubled

BY CLAY HARRIS

Frederick Cooper, the acquisitive specialist engineering group, yesterday reported pre-tax profits of £3.95m for the 12 months to July 31, nearly double the previous year's merger-restated figure of £2.03m and more than eight times the £467,000 originally reported for 1985-86.

Turnover of £36.3m fell slightly from the restated £36.9m.

Yesterday's results covered the first full year under the chairmanship of Mr Eddie Kirk. Within months of his taking over at the beginning of 1986, gearing was reduced from 140 per cent through the disposal of two loss-making operations, Cooper Horseshoe Nail and CM Steel Mills, a cold-strip roller.

The £7.7m acquisition of Lamson, the materials handling company, just before the year-end brought in a pre-tax contribution of £1.45m, more than one-third of the total. However, Lamson's relatively small advance from the previous-year figure of £1.3m obscures a faster rate of organic growth.

Cooper's continuing operations more than doubled their pre-tax contribution to £1.35m from £632,000.

By division, Cooper received pre-tax profits of £1.56m (£1.27m) from materials handling, £910,000 (£22,000) from electricals, £673,000 (£586,000) from metal finishing, £355,000 (£68,000) from specialist engineering, and £457,000 (£240,000) from security products and architectural ironmongery. Disposed businesses contributed a £156,000 loss in the previous year.

Extraordinary debits fell to £70,000 (£1.22m), and the tax charge declined from 43.8 per cent to 36.2 per cent as a result.

Earnings per share increased to 11.9p (5.3p restated). After paying no dividends in 1985-86, it yesterday declared a 1.5p final to make a total of 2.35p.

●comment

With gearing down to only 5 per cent and barely any exposure to the US market, Cooper is less vulnerable than most to economic uncertainty or downturn. Moreover, no single customer accounts for more than 3 per cent of turnover. Cooper is well-placed to benefit from manufacturers' increasing tendency to fabricate from coated metals rather than apply the surfaces later. Its cautious downstream move in the same area, a joint venture making coated bakeware, creates considerable opportunity with limited cost or risk. Within Cooper's self-imposed guidelines of limiting gearing to 40 per cent, cash acquisitions totalling £4m are possible within the current year, but most attention will be focused on developing the string of companies bought in the last 18 months. Pre-tax profits should rise at least to £4.7m, putting the shares on a prospective p/e of less than 11.

Parkfield makes £6.8m acquisition

BY DINA MEDLAND

Parkfield Group, the fast-growing engineering and distribution group, has bought Cardiff-based aluminium wheel manufacturer Eurocast for about £6.8m.

Eurocast is one of two UK manufacturers of aluminium wheels and it supplies UK, European and US motor car manufacturers. Parkfield is financing the acquisition with the issue to the vendors of 1.6m shares of 2p each in Parkfield credited as fully paid. The vendors, Mr John Carlsen, Mr John Lister and Investors in Industry, have indicated that they have taken shares in Parkfield with the view of being long-term holders.

A further payment of £2m, also to be satisfied by the issue of shares in Parkfield, could become payable depending on Eurocast profits for the 13-month period ending April 1988.

Shares are being used "since the alternative of using cash would not have been acceptable to the vendors other than at a very substantial premium to the agreed price" the company said.

Eurocast made pre-tax profits of £423,000, after deduction of certain non-recurring private company expenses, on turnover of £6.38m. Net assets at completion were some £1m.

Mr Roger Felber, Parkfield chairman, described the purchase as "potentially the most exciting investment that we have made so far in the manufacturing sector, especially in terms of the medium and longer term growth opportunity."

"With a world market where demand for aluminium wheels is likely to continue growing by at least 15 per cent per annum for several years, we have a real opportunity to build Eurocast into a world-wide business."

The company intends immediately to create additional manufacturing facilities for Eurocast, and to consider the possibility of investing in manufacturing capacity abroad.

Parkfield more than doubled pre-tax profits to £8.14m (£3.89m) on turnover up 19 per cent at £123.5m (£103.6m) for the year-ended April 30.

Airflow Streamlines up 95% at midterm

SALES IN both the manufacturing and motor divisions of Airflow Streamlines showed a favourable increase in the six months to August 31, directors said. That was reflected in the 95 per cent pre-tax profits increase to £983,000 compared with £503,000.

The interim dividend is being lifted to 1p (0.25p) to reduce disparity. For the year to February 28 1987 a total of 3p was paid when the pre-tax result came out at £1.66m.

Turnover for the Northampton-based Ford main dealer and maker of motor components rose from £20.59m to £23.86m in the six months and the directors anticipated that current sales demand would be maintained in the second half.

Significant facility improvements had been made during the past six months, directors reported, with the completion of the extensive replacement building in the production section of the manufacturing division, and the establishment of the new Iveco Ford heavy truck specialist dealership.

The tax charge rose to £344,000 (£175,000) after which earnings per share advanced from 3.52p to 7.18p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Airflow Stream. ....int	1♥	Jan 5	0.25	-	3
Arenson ....fin	1.35	Jan 5	0.7	1.9	1.1
Benlox ....int	0.75	Dec 21	0.55	-	1.15
Bennett Founta §...fin	0.7	Jan 6	0.6	0.7	0.6
Brikat Group § ....fin	1.85	Jan 25	2.5	2.6	4.2
Burtonwood ....int	0.63	Feb 29	0.63*	-	2.93*
Horace Clarkson ....int	2	Nov 30	2	-	4.75
Cooper (Fred.) ....fin	1.5	Feb 1	nil	2.35	nil
Smart (J.) ....fin	3.8	Dec 14	3.45	5.25	4.75
TR Australia ....fin	1.41	-	1.3	2.41	2.7‡

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. @Third market. ♥To reduce disparity. ‡Includes special 0.4p payment.

UK COMPANY NEWS

Civil engineering boosts Benlox to £0.6m midway

BY NIKKI TAIT

Benlox, the small civil engineering and investment dealing group which is currently bidding for giant retail chain, Storehouse, yesterday reported a sharp profits improvement for the six months to end-June - making £803,452 before tax, compared with £109,418 in the first half of 1986 and a loss for the last full year of £456,980.

The advance, says Benlox, reflects the fact that the civil engineering and construction business - Arnold & Nathan - "is now achieving the benefits of selective tendering on improved margins". The company made "a commendable" - though unspecified - operating profit in the first half, against a £859,336 loss in 1986. Keatway, the securities and investments business, also showed higher profits on the back of the switch in emphasis towards unquoted investments, says Benlox; in 1986, its contribution was £189,908.

The third arm, the profitable property services business Protim, was sold in May, giving an extraordinary profit of £800,000, taken below the line. Again, Benlox does not disclose what its contribution was, either in the first half of 1986 or 1987. With the benefit of the Protim sale, however, attributable profits are £1.18m and earnings per share 2p (0.3p). Turnover in the first half slipped slightly from £10.6m to £9.13m, a reflecting reductions on both the building and share-dealing sides.

The figures are unaffected by the acquisition of Nolton, a mini-conglomerate for which Benlox won a "demerger" bid after the half-year end in early-July.

The relationship between Benlox and Egyptian financier, Dr Ashraf Marwan, meanwhile, remains somewhat unclear. In late August, shares in Benlox rose on news that Dr Marwan was increasing his stake in the company to almost 20 per cent and planned to join the board. Now, after some confusion over the non-appearance of an announcement, Dr Marwan appears to have decided against a boardroom role, according to Benlox director Mr Peter Earl - at least in the immediate future. The financier, however, still appears to be buying Benlox shares; rule 8 disclosures showed the purchase of 71,000 shares at prices ranging from 48p to 54p earlier this week, taking his total holding to 9.39m shares or 22.7 per cent.

Yesterday, shares in Benlox gained 3p to 59p on news of first half figures - making its paper-only "demerger" bid for Storehouse worth £1.32bn or 324½p a share. Storehouse shares gained 1p to 271p.

Bolton House £1m purchase

BY NIKKI TAIT

Bolton House Investments, over-the-counter issuing house and marketmaker headed by Benlox chairman, Mr Andrew Millar, is acquiring the smaller licensed dealer, Mathercourt Securities, in a £1m all-share deal.

Mathercourt has specialised in advising and issuing private healthcare situations - among them, London Private Hospital Group and Swindon Private Hospital.

The company is owned by founders Mr Eric Koops and Mr Ian Taylor - now Tory MP for Esher - together with two former Granville corporate finance directors, Mr Peter David and Mr Tom Sooke. Mr Koops, Mr David and Mr Sooke are joining the Bolton House board, alongside Mr Jim Perry and Mr Millar, who remains chairman.

Bolton House is paying for the acquisition via the issue of 900,000 shares to Mathercourt's shareholders - 600,000 ordinary and a two-year loan convertible into another 300,000. Bolton House's marketmaking subisidiary, Chartwell, which trades its shares on a matched bargain basis, currently quotes Bolton House at about 112½p a share - giving a purchase price of a little more than £1m.

Since Benlox announced its bid for Storehouse, retail group, *Bolton House has been one the* purchasers of Storehouse shares. It owns 350,000 shares, bought at prices between 375p and 402p.

With Storehouse down to 268p yesterday, it is showing a £400,000 paper loss, but says this is "not significant in relation to other realised gains."

Chairman predicts bright future for Saville Gordon

PROSPECTS were bright for J.Saville Gordon, the Midlands-based metal engineering and processing merchant, the chairman told shareholders at the annual meeting.

He pointed out that the group's pipeline and engineers merchant operation had performed well and added that if the trend continued, the division should show a further improvement in the current year. Similar conditions should also prevail in the metal trading and scrap processing division reflecting an improvement in the level of demand and in price levels.

The performance of the securities and commodity dealing side, although affected by the recent stock market fall, should at least equal last year's profit levels. The group had no settlement problems, the chairman added.

LONDON and Manchester Group, Exeter-based life assurance company, is buying Fulfords, estate agent and valuer with twelve offices in the West country. The initial consideration is £6.5m to be paid in a mixture of LMG shares and loan notes.

Smart higher

J.Smart & Co (Contractors), Edinburgh-based building and public works concern, reported increased pre-tax profits for the year to the end of July 1987 up from £1.38m to £1.43m. Turnover was slightly down at £11.44m against £11.72m last time.

Earnings per 10p share came out at 9.46p (9.12p) and the directors are proposing an increased final payment of 3.8p (3.45p) making 5.25p for the year against 4.75p.

Tax took £474,000 (£441,000) and this time there was no extraordinary item against a credit last time of £315,000.

Increased loss at Central & S'wood

Central & Sheerwood, a holding company with interests in engineering, printing and publishing, fell deeper into the red in the first six months of 1987.

For the period the company ran up a loss of £2.1m pre-tax compared with deficit of £1.08m for the comparable months of the previous year. The deficit comprised a continuing businesses loss of £941,000 and a discontinued businesses loss of £1.16m.

The figures were struck after taking account of an exceptional debit of £1.15m (nil).

Continuing businesses made an operating profit of £386,000 against a loss of £586,000 from discontinued businesses. Turnover for the period was £4.74m up at £23.94m.

The directors said the trading position of A.L. Dunn and Coventry Apex had been secured. They made an operating profit in the first half of the year and were continuing to do.

The directors said they were considering proposals for capital expenditure for their long-term development and also for broadening the company's operations.

In June, the company had a capital reorganisation and raised £2.3m through a subscription (Mr Robert Maxwell's Pergamon) with clawback arrangements which was used in reducing central bank borrowings.

Much remains to be done before the company's prosperity is restored, the directors said. They were confident about prospects but could make no forecast of when dividend payments could be resumed. The last payment was 0.4p for 1982.

H. Clarkson tops £1.8m

Horace Clarkson, holding company involved in shipbroking and owning, insurance broking and financial and related services, upped taxable profits from £1.52m to £1.84m in the first half of the year.

The directors declared an unchanged interim dividend of 2p and after tax of £869,000 (£611,000), earnings per share rose from 5.6p to 5.9p.

The directors said that shipping was showing a healthier trend, which was good for the company's shipbroking business. In shipowning they looked for a somewhat better year this year and modest profits for 1988 and later. Insurance broking also looked promising, with the established specialised types of business giving a good base for further expansion.

Minorities accounted for £21,000 (£8,000).

Scot Ice Rink shares sold

By DAVID WALLER

OVER 25 per cent of the shares in Scottish Ice Rink Co (1928), one of the smallest and most obscure quoted companies, have changed hands.

The company announced yesterday that a consortium of investors, including Sheffield United Football Club, had bought 25.2 per cent of the company's equity from Mr James Glasgow, the ice-rink's chairman.

Mr Reginald Brealey, chairman of Sheffield United, and his wife have bought 15.2 per cent of the company; the club itself bought the other 10 per cent. Mr Brealey was not available for comment yesterday and it is not known what his plans are.

Turnover at Scottish Ice has been about £20,000 a year for each of the last four years, during which time it has not mustered a profit at the pre-tax level.

Bennett & Fountain pushes ahead to £2.7m

BY DINA MEDLAND

Bennett & Fountain, fast-growing wholesale and retail electrical goods distributor, yesterday announced pre-tax profits of £2.7m for the year-ended June 30. Figures provided for the previous 15 months show pre-tax profits of £1.5m to June 30, 1986 for the company, which came to the USM in January 1985.

Turnover rose from £22m in the 15-month period last year to £31.33m in the year-ended June 30. The company plans to pay a dividend of 0.7p (0.6p) per ordinary share.

Last year's figures have been restated to include the contribution by wholesaler Moss Electricals, bought for £3.63m in cash in October last year. The Moss purchase raised the number of wholesale branches owned by the company from seven to 25. Bennett & Fountain changed its year-end from March to June last year.

"In turnover terms growth so far has been largely through acquisition," said Mr Stephen Coleman, finance director. Its wholesale branches have risen from 25 in June 1986 to 30 in June 1987, while its retail side has grown from 11 branches in June 1986 to 20 a year later.

Retailing has seen further dramatic growth since the June year-end, and will have 41 new branches once the company has completed its £3.04m acquisition of retailing and rental group Central Equipment, which trades as Derwent Sound and Vision from 32 high street locations. An additional nine branches were obtained by the recent purchase of electrical retailer Baskills, the Midland-based group, for £2.18m.

"The strong rental base provided (by the acquisitions) takes us national and provides a good opportunity," said Mr Coleman.

The retailing division showed profits of £1.05m on sales of £14.41m, against a profit contribution of £1.68m on sales of £16.93m. Both divisions were concentrating on expanding nationally, and Bennett & Fountain now claims to be the largest electrical wholesaler in London.

Improved margins and effective rationalisation in some of the acquisitions had contributed to profitability, Mr Coleman said. Existing, as well as newly acquired operations, would be reviewed further, with a view to strengthening management.

Bennett & Fountain has financed acquisitions in the past through a mixture of cash and shares, using a £4m rights issue in October last year to clear debt. Gearing is currently under 30 per cent, Mr Coleman said, and the company plans continued expansion through both acquisition and organic growth.

Rowe Evans profits up 27% in first half

TAXABLE PROFITS of Rowe Evans Investments, the Kent-based holding company with interests in oil palm, rubber and cocoa plantations in Malaysia and Indonesia, rose 27 per cent from a restated £552,000 to £703,000 in the six months to June 30 1987.

The profits growth was achieved despite turnover down from £943,000 to £899,000 and a reduced income from the group's share of related companies' profits of £380,000 (£391,000).

However, the directors said that the devaluation of the Indonesian rupiah in September last year had had a beneficial effect on group earnings. Local costs were now lower in sterling terms, while selling prices continued to be related to world markets. The group's related plantation companies had all benefited from improved commodity prices.

Tax took £340,000 against £274,000 last time leaving earnings per 10p share of 0.84p before an extraordinary credit of £238,000 from the compulsory acquisition of estate land, and 1.44p after it (0.6p).

Burtonwood on top of forecasts

Burtonwood Brewery, recently the subject of an abortive bid approach from Midsummer Leisure, has shown reduced turnover and profits in the half year ended September 26 1987, but the directors said both exceeded forecast.

They added that expectations for the full year remained satisfactory. For the year ended March 31 1987 pre-tax profit came to £2.66m.

In the opening period turnover was £15.65m (£16m) and profit £1.42m (£1.7m). Earnings fell to 4.7p (5.9p) and the interim dividend is effectively held at 0.625p after scrip adjustment.

Cost cutting helps Memcom to reduce its losses to £1.7m

A SHARP reduction in administration costs - from £2.74m to £1.72m - helped Memcom International Holdings, USM-quoted maker of electronic filing systems, reduce taxable losses from £2.88m to £1.67m in the year to April 30. Turnover rose *from £1.59m to £1.71m.*

Tax took £9,800 compared with a credit of £442,952 last time and the loss per 10p ordinary share was cut by 20p to 27.2p. Shareholders will again not receive a dividend; the company last paid a dividend, of 3.5p, in 1985.

Memcom encountered financial problems in 1985 when several overseas markets collapsed. It then embarked on a strong cost-cutting programme and a £2.3m rescue rights issue was left largely in the hands of the underwriters. One of them, Mr Zohair Awartani, a Jordanian businessman, replaced Mr Keith Whitten as chairman in December 1986.

He said that the on-going rate of spend had been further reduced as a result of the cessation of Memcom's activities in California and Watford, the reorganisation of the Middle East business, and the application of strong financial disciplines. The benefit would become evident in the current year as the recovery continued and sales increased.

Automation Engineering, the group's Washington subsidiary, would continue to operate profitably this year. The order prospects for Memcom Electronics and Memcom International have improved significantly in recent months. Taken together with the broadening of activities - in September Memcom took a majority interest in Systems and Business Consultants, which is involved in recruitment and training - and the increase in the product range, the now well-established recovery of the business would accelerate.

Mr Awartani said that with diversification, these developments would provide profit and positive cash flow and point the way for a return to the overall profitability of the company with a substantially lower level of working capital being required than in the past.

He had set a number of high priority and urgent objectives in December and progress had been slower than the company would have wished. It had been unable to attain the recovery target set by the end of the year.

However, all its objectives have been achieved and the level of sales turnover in the second six *months of the year have* been almost matched by the first three months of the current year. Together with the benefits from the reduced administration costs and provided current progress on sales was maintained, Mr Awartani said that he was confident of a satisfactory out-turn for the current year.

Following the rights issue and consequent repayment of the loans, Memcom had available in October 1986 about £1.1m with which to achieve its objectives. Since that date major reductions in the group's debt burden had been achieved. Exceptional items fell from £258,648 to £62,318; interest receivable and similar income dropped from £47,128 to £16,096; and interest payable and similar charges fell from £221,666 to £207,541. The extraordinary credit of £22,113 last time was not repeated.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI

E. N. I.

(National Hydrocarbons Authority)

6⅝% Sinking Fund Debentures due June 1, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1987 at the principal amount thereof $750,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. $1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

18 32 59 66 76 79

Also Debentures of U.S. $1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

139	4039	5939	7839	9739	12039	15039	19239	20939	26739	29039
539	4139	6039	8039	9839	12139	15239	19339	21039	26939	29139
639	4239	6139	8239	9939	12239	15739	19439	21439	27039	29339
739	4339	6239	8339	10039	12439	16139	19539	21539	27339	29539
1039	4539	6339	8439	10339	12539	17639	19639	21639	27439	29639
1239	4639	6639	8539	10539	12639	17739	19739	21939	27839	29739
1339	4739	6739	8639	10739	12739	17839	19839	22039	28139	29839
2939	4939	6839	8839	10839	12839	18539	19939	22339	28339	29939
3339	5039	6939	8939	11139	12939	18639	20039	23139	28439	
3439	5139	7039	9039	11239	13439	18739	20139	25739	28539	
3539	5239	7239	9239	11339	13639	18839	20239	25939	28639	
3639	5539	7439	9439	11739	14239	18939	20439	26139	28739	
3739	5639	7639	9539	11839	14339	19039	20739	26439	28839	
3839	5839	7739	9639	11939	14639	19139	20839	26539	28939	

On December 1, 1987, there will become and be due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg-Ville. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due December 1, 1987 should be detached and collected in the usual manner.

From and after December 1, 1987 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI
By: MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, *Fiscal Agent*

October 30, 1987

NOTICE

The following Debentures previously called for redemption have not yet been presented for payment:

DEBENTURES OF U.S. $1,000 EACH

3068 15844 17831 17832 17841

NOTICE OF REDEMPTION

To the Holders of

BANK OF TOKYO (CURAÇAO) HOLDING N.V.

(Formerly Curaçao Tokyo Holding N.V.)

8⅝ per cent. Guaranteed Bonds Due 1988

NOTICE IS HEREBY GIVEN that Fifty Eight Thousand Dollars ($58,000) principal amount of the Bank of Tokyo (Curaçao) Holding N.V. (formerly Curaçao Tokyo Holding N.V.) 8⅝ per cent. Guaranteed Bonds due 1988 and bearing the following serial numbers have been drawn for redemption on December 1, 1987, at the redemption price of 100% of the principal amount thereof.

COUPON BONDS

94	3960	4649	5874	7217	9176	9727	10724	11966	16083	19589	20720
2275	4015	4979	5954	7346	9250	10203	10749	12195	16259	19880	23059
2728	4047	5373	6425	7767	9573	10211	11115	14124	16685	19672	24139
3021	4148	5486	6585	8278	9589	10473	11457	15636	16686	20624	
3314	4197	5652	6999	8746	9722	10660	11625	15662	18313	20640	

Payment of the principal amount of each of the Bonds called for redemption will be made on or after December 1, 1987 upon presentation and surrender of the Bonds to be redeemed, together with all coupons appertaining thereto maturing after December 1, 1987 (failing which the amount of the missing unmatured coupons will be deducted from the sum due for payment), at the principal office of The Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10006 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo Ltd. in London (replacing The Bank of Tokyo Trust Company in London); The Bank of Tokyo, Ltd. in Brussels, Frankfurt am Main, Milan and Paris; The Bank of Tokyo (Holland) N.V. in Amsterdam; and Banque Internationale a Luxembourg S.A. in Luxembourg. The coupon for interest payment payable on December 1, 1987 should be detached and presented for payment in the usual manner.

On and after December 1, 1987, interest on the Bonds so called for redemption will cease to accrue.

BANK OF TOKYO (CURAÇAO) HOLDING N.V.
By: The Bank of Tokyo Trust Company
as Fiscal Agent

Dated: October 30, 1987

£1 billion in the first nine months

ICI

1987 Nine Months Results

Group profit before tax for the first nine months of 1987 increased by 38% to £1,004m, up £276m on the first nine months of 1986. Turnover grew to £8,287m, a rise of 11%. Sales volume increased by 8% through internally-generated growth and a further 5% through the net effect of acquisitions (mainly Glidden) less disposals. Selling prices were 1% lower on average than in the equivalent period in 1986 whilst currency movements further reduced sterling sales values by the equivalent of 1%.

Group profit before tax in the third quarter of £313m was a new third quarter record, up £57m from the previous record third quarter figure of £256m in 1986. The first half year is stronger seasonally than the second half and in the third quarter most areas recorded lower profits, reflecting the 4% volume decrease associated with the holiday slow-down in Europe. Apart from fertilizers and the usual seasonal effects, most businesses and territories performed well. Across the Group selling prices in local currencies were 1% higher on average than in the second quarter.

During the quarter the Group completed the purchase of the Stauffer Chemicals business and put in hand a programme to sell those parts which did not fit ICI's long-term strategy. The Group has since announced the sale of the Stauffer basic and speciality businesses for around $1.1 billion and this results in a satisfactory net cost for the retained Stauffer agrochemicals business.

The general trend of business has been encouraging. However, the impact on trade of current unsettled conditions in the financial and foreign exchange markets cannot yet be assessed.

The following table summarises the quarterly sales to external customers, profit before tax and earnings per share.

	Turnover	Profit Before Tax	Earnings per £1 Ordinary Stock
1986	£millions	£millions	pence
1st Quarter	2,514	204	18.3
2nd Quarter	2,516	268	24.8
3rd Quarter	2,413	256	23.7
4th Quarter	2,693	288	25.2
Year	10,136	1,016	92.0
1987			
1st Quarter	2,760	334	28.5
2nd Quarter	2,809	357	30.7
3rd Quarter	2,718	313	27.8

The tax charge for the first nine months of the year amounted to £390m (first nine months 1986 £269m), comprising UK corporation tax of £175m (£121m) and £215m (£148m) in respect of overseas and related companies. UK corporation tax has been provided at 35%, the expected rate for the accounting year 1987.

The unaudited trading results of the Group for the first nine months of 1987, with comparative figures for 1986, are as follows:

1986 First Nine Months £ millions	Year* £ millions		1987 First Nine Months £ millions
		Turnover	
1,921	2,545	United Kingdom	2,028
5,522	7,591	Overseas	6,259
7,443	10,136	Total	8,287
728	1,016	Profit on ordinary activities before taxation	1,004
		After providing for:	
362	491	Depreciation	343
−269	−382	Tax on profit on ordinary activities	−390
459	634	Profit on ordinary activities after taxation	614
−24	−34	Attributable to minorities	−34
435	600	Net profit attributable to parent company	580
—	−43	Extraordinary items	—
435	557	Net profit for the financial period	580
66.8p	92.0p	Earnings before extraordinary items per £1 Ordinary Stock	87.0p

*Abridged results; full accounts with an unqualified audit report have been lodged with the Registrar of Companies.

Trading results for the year 1987 will be announced on Thursday 25 February 1988.

IMPERIAL CHEMICAL INDUSTRIES PLC

UK COMPANY NEWS

Brikat makes sharp recovery and finishes ahead at £1.3m

Brikat Group, a USM-quoted producer and distributor of business accounting software and office supplies, made a sharp recovery in the second six months of its financial year to July 31 with pre-tax profits for the full year emerging at a record £1.3m compared with £1.14m for the previous year.

Mr Johnnie Johnson, the chief executive, said that pre-tax profits for Pegasus and Days, the group's continuing operations, were £1.69m producing earnings of 20.9p per share against 17.2p (13.6p) actual.

Shareholders, however, get a reduced total dividend with a final of 1.85p (2.5p) making 2.8p (4.2p) which, the directors said, is the maximum permissable given the level of distributable reserves.

Poor trading in its business centres led to a setback in mid-term profits from £534,000 to £239,000 but the rationalisation and disposal of these fifteen centres – reflected in extraordinary costs of £1.3m, £1.1m of which relates to the centres – has now been completed.

Pegasus Software continued to provide the major part of the group's earnings and maintained its leading position in the UK for microcomputer accounting software. But considerable investment on new product development and personnel resulted in a slight decline in Pegasus' profits compared with the previous year.

Day Office Supplies, on the other hand, achieved a 15 per cent increase in profits, contributing 17 per cent of group profits from continuing operations.

On prospects Mr Johnson said the year had seen dramatic changes in the business profile of the group with all the loss making activities divested or closed.

The businesses of software and office supplies were continuing to be highly profitable and the directors believed that there were strong prospects for growth both organically and by acquisition.

Turnover last year fell back from £13.67m to £10.35m; the operating profit was £1.45m (£1.24m) from which was deducted interest of £72,000 (£57,000), the share of losses of associated company £30,000 (£51,000) and an exceptional item of £51,000 (nil). Tax took £388,000 (£455,000).

Reflecting the change of emphasis the company is proposing to change its name to Pegasus Group.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- A & M Group, Anglo Eastern Plantations, Central and Sherwood, Claytor Son, Craig and Rose, Eastern Produce, Hocklunsons, R.E.A. Holdings, Royal Trust Yen Bond Fund, Thomson Organisation.

Finals- BM, Funchvest, National Home Loans.

FUTURE DATES

Interims-	
Bassett Foods	Nov 25
Brit Investment Trust	Nov 5
Dawson International	Nov 26
GEI International	Nov 10
Henderson Administration	Nov 6
Unit Group	Nov 2

Inter-American Development Bank

("IDB")

NOTICE
to the holders of

**8 ⅞% Japanese Yen Bonds of 1981
due November 1, 1991**

EARLY REDEMPTION ON 1ST DECEMBER, 1987
of all the Bonds by IDB

NOTICE IS HEREBY GIVEN to the holders of the Bonds (the "Bondholders") that, in accordance with Conditions of Bonds endorsed on the Bonds (the "Conditions"), IDB will on 1st December, 1987 (the "redemption date") redeem all of the Bonds then outstanding at 100.75 per cent. of their principal amount together with interest accrued to such date (being an aggregate of Yen ¥1,014,895 for each Bond of Yen ¥1,000,000). Payments of principal, premium and accrued interest will be made on and after the redemption date in the manner provided in the Conditions against surrender of Bonds and Coupons No 7 due on 1st November, 1988 and all subsequent Coupons appertaining thereto at the specified office of any of the Paying Agents listed below. Failure to surrender any such subsequent Coupon(s) will result in the amount of such Coupon(s) being deducted from the sum due for payment on the redemption date.

The attention of the Bondholders is drawn to the Conditions and in particular to Condition 4 which contains further details regarding redemption.

FISCAL AGENT AND PRINCIPAL PAYING AGENT

The Bank of Tokyo, Ltd.,
3-2, Nihombashi Hongokucho,
1-chome, Chuo-ku,
Tokyo.

ADDITIONAL PAYING AGENTS

The Bank of Tokyo, Ltd.,
London Office,
Northgate House,
20/24 Moorgate,
London EC2R 6DH.

The Industrial Bank of Japan, Limited,
London Branch,
14 Walbrook,
London EC4N 8BR.

The Long-Term Credit Bank of Japan, Limited,
London Branch,
3 Lombard Street,
London EC3V 9AH.

The Nippon Credit Bank, Ltd.,
London Branch,
Winchester House, 77 London Wall,
London EC2N 1BL.

Morgan Guaranty Trust Company of New York,
Brussels Office,
Avenue des Arts 35,
B-1040 Bruxelles.

Kredietbank S.A. Luxembourgeoise,
43 Boulevard Royal,
Luxembourg.

The Bank of Tokyo (Holland) N.V.,
World Trade Center,
Strawinskylaan 565,
1077 XX Amsterdam.

The Bank of Tokyo, Ltd.,
Paris Office,
4-8 rue Sainte Anne,
75001 Paris.

The Development Bank of Singapore Limited,
Level 2, PIL Building,
140 Cecil Street,
Singapore 0106

The Bank of Tokyo, Ltd.,
Hong Kong Office,
Far East Finance Centre,
16 Harcourt Road,
Hong Kong.

Dated October 30, 1987

Inter-American Development Bank
by The Bank of Tokyo, Ltd.,
as Fiscal Agent

MONTEDISON

S.p.A. - Registered Office: Milan - Foro Buonaparte, 31
Share Capital Lit. 2,704,821,524,000 fully paid up
Milan Court, Companies Registry Nr. 355 - Vol. 10 - Section 84

1987 HALF-YEARLY REPORT

Notice is hereby given that copies of the 1987 half-yearly report of Montedison S.p.A. are available, upon request, at the offices of its UK subsidiary, Montedison (U.K.) Limited, 7/8 Lygon Place, Ebury Street, London, as well as at the London Office of Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court.

U.S. $500,000,000

CITICORP

(Incorporated in Delaware)

Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 7.45% and that the interest payable on the relevant Interest Payment Date November 30, 1987 against Coupon No. 22 in respect of US$10,000 nominal of the Notes will be US$64.15.

October 30, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
Registration No. 57/01979/06
("Implats")

RIGHTS OFFER—LAST DAY TO REGISTER

Further to the announcement of 22 October 1987, the holders of ordinary shares in Implats are advised that the last day to register to participate in the proposed rights offer by Implats will be at the close of business on Friday, 13 November 1987.

Further details of the proposed rights offer will be announced on 9 November 1987.

Should the current uncertainty prevailing on world stocks markets continue, the directors of Implats may decide to delay the proposed rights offer.

Shareholders will be advised timeously of any decision in this regard.

Johannesburg
30 October 1987

Senbank

Central Merchant Bank Limited
(Registered Bank)
(Registration number 56 01742 06)

Province of Nova Scotia

US$100,000,000 11¾% Debentures Due 1991

US$100,000,000 11¾% Debentures Due 1998

(Herein referred to as the "Securities").

To: The holders of the Securities

In accordance with the terms and conditions attaching to the Securities, holders of the Securities are hereby given notice that as from October 30th 1987, The Bank of Nova Scotia, Brussels Branch, 66 Boulevard de L'Imperatrice, B-1000, Brussels, Belgium will no longer act as a Paying Agent in respect of the Securities.

The Bank of Nova Scotia

This announcement appears as a matter of record only

AMC

The Agricultural Mortgage Corporation PLC

£200,000,000
Revolving Cash Advance Facility

Arranged by
National Westminster Bank PLC

Underwritten by
National Westminster Bank PLC

Bayerische Landesbank Girozentrale
The Mitsubishi Bank, Limited
The Mitsui Bank, Limited
The Tokai Bank, Limited
TSB England & Wales plc

Barclays Bank PLC
Credit Lyonnais, London Branch
The Dai-Ichi Kangyo Bank, Limited
Rabobank Nederland, London Branch
The Sanwa Bank, Limited
The Sumitomo Bank, Limited

Credit Suisse
Westdeutsche Landesbank Girozentrale

Additional Tender Panel Members

Banco di Napoli
Banco di Roma, London Branch
Banque Nationale de Paris, London Branch
Banque Paribas (London)
Baring Brothers & Co., Limited
The Fuji Bank, Limited
The Saitama Bank, Ltd.
S.G. Warburg & Co. Ltd.

Agent Bank
International Westminster Bank PLC

October 1987

Signs of life after the stock market crash

ST JOHN HARTNELL was wondering at a recent property auction in Bristol how he could withdraw 17 lots in a row. It was a routine auction - secondary property from the West Country and Wales - but such a number of withdrawals was something he had never contemplated before. And he would not have been contemplating it then had not property stock prices been falling out of bed.

But he did not have to bother. What he had thought would be a disaster turned into a triumph. The buyers were out in force. Even property that had been hanging around for a year went under the gavel.

This anecdote is really only to show that away from the frenetic atmosphere of the City of London, there *is* life after the Wall Street crash. As Michael Ryder of Kenneth Ryden chartered surveyors in Glasgow, put it, "You won't find anybody falling off buildings here."

This is not to minimise the significance of the fall in the market. A large part of the increase in share prices over the last year, as measured by the FT-Actuaries Property Index, has been wiped out. Companies trading at a premium to their net asset value have seen that premium turned into the more traditional discount.

But there is a difference between what is happening and what is likely to happen in central London and what goes on elsewhere. There is more than one property market.

In the regions, whether in office, retail or industrial property, the movements of the market have been closely related to underlying economic activity. Central London, by contrast, has been spurred by the explosion of the financial services sector. If there is to be any weeping in the property sector, then London is probably the place to watch for tears.

That is the first point to be made in any attempt to come to terms with the shake-out of the last fortnight. The second point is that nobody can anticipate the precise effect of the shake-out beyond the fact that there will be one. "The underlying truth has yet to emerge," noted Donald McKeith, finance director of Land Securities.

The speculation that by repetition is hardening into conventional verity runs like this: the fall on the markets has eliminated the Stock Exchange as a source of finance for property companies; the banks are going to be tougher in their lending; the institutions, scared by equity volatility, are going to rush back into direct property investment; the financial institutions are going to retrench and the City boom will pop.

"Deals on the back of paper or rights issues are not going to be done. They'll have to be done for cash. Those with cash will be okay," said Peter Levy, chairman of Shaftesbury, which luckily arranged a listing days before the market began to fall.

After this everything becomes more conjectural. The banks first. The first thing they say is that their lending has always been cautious and that therefore they will continue as they always have done. They would scarcely say anything else.

But the view gets trimmed. At Goldman Sachs, active in syndications at the top end of the market, Brian Maier observed that "new young names which haven't proved themselves could run into trouble. Generally there's been a flight to quality." In the future, with the bull mentality pushed aside, the banks could be looking at figures more closely.

They will be chary of extravagant rent projections. But even here there is some give and take. Lower interest rates reduce the cost of construction financing, permitting some lowering of the rent levels needed to cover the interest cost of projects.

One executive from a clearing bank involved in lending to smaller developers noted that when the quarterly valuations of projects are done, the banks could see their margin of safety - between the amount of money lent and the stock market worth of the borrower - eroded. They will then be asking whether the interest payments can be covered. "What has changed is the perception of what the paper is worth," he said.

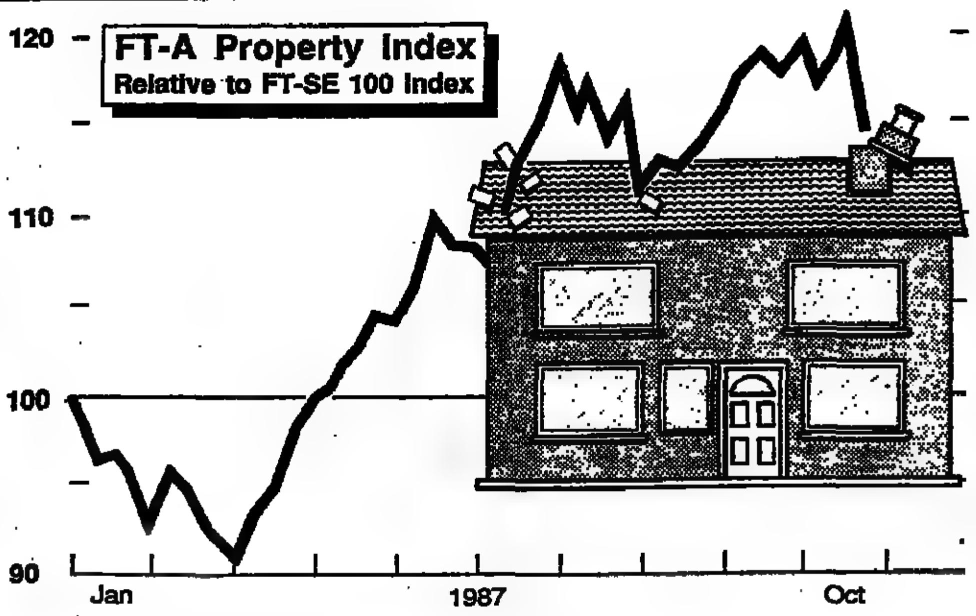
Where there is doubt about the viability of companies and their projects, he went on, there could be forced sales. "This will take some time to work its way out of the system." It is the possibility of forced sales from the over-exposed that worries developers because this could have a damaging effect on their own valuations.

What is happening is that the froth is being wiped off the top of the market. But that froth is more apparent in the central London market than elsewhere.

The next point relates to what the institutions are going to do. This year there has been more institutional interest in property, according to the official figures, because the returns have looked better than in previous years - especially against fixed interest investment. If property is seen as an alternative to equity investment, it is by no means clear that just because the equity bull market has shuddered to a halt, there will be a flight to property.

Even insurance companies like Scottish Amicable, which has been building up its property portfolio, are not and have no plans to accelerate their property investment. Looking at the fall of the equity market, Michael Mallinson, property director at the Prudential, the biggest of the institutional property investors, commented that the "the natural consequence is a movement into cash, from which you might go into property. But we're not rushing into it."

If, at a time of equity market uncertainty, the tendency is to be liquid, then there is little point in buying property, which is notoriously illiquid. Mr Mallinson told the recent conference of the Royal Institution of Chartered Surveyors that if property is to be an alternative to equities it has to be easy and cheap to buy and sell, to value and to own, it has to be liquid in small parcels. At the moment it is none of these.



Counting costs in a dwindling City market

PROPERTY shares have been following the market down but the companies worst affected have been those with exposure to the City of London market - Rosehaugh, Speyhawk, London and Metropolitan, Greycoat, London and Edinburgh Trust and Wates City.

These and others agree that the financial houses are bound to review their space requirements. "When markets show a capacity to move 10 per cent in a day, then no broking house in the world can be regarded as entirely safe," says Chase Manhattan Securities.

But this does not point to the imminent collapse of the City of London market. It is not that people will not move, notes Jeremy Helsby, of Savills chartered surveyors, "but that costs will be even more important then they were before."

There could be resistance to high rents and, as Phillips and Drew suggest, the day when supply and demand for space in the City balances out could be advanced a year or so to 1989. This in turn could mean developers will need to recalculate projects whose existence pre-supposes the City's perpetual expansion.

That recalculation will be partially conditioned by the downward pressure on interest rates and by the realisation amongst City planners that the development boom is petering out. Those in the market are better off than those approaching it.

For the moment though, notwithstanding this week's Westpac Banking decision to take a pre-let on a BP Pension Fund-Speyhawk development, the financial community is occupied with matters other than property. When they return to the subject they will find that the space situation is just as tight - a 2 per cent vacancy rate. There is no evidence that anybody has pulled out of a deal yet.

The advice coming from the brokers' offices is to look for property stocks with a solid income stream behind them and an exposure to what is seen as the intrinsic strength of the economy - what Citicorp Scrimgeour Vickers calls "defensive qualities." Names mentioned include Land Securities, *Laing Properties*, British Land, Hammerson, Slough Estates and Brixton Estate.

Legal Notice

IN THE HIGH COURT OF JUSTICE
Chancery Division

No. 007618 of 1986
In the matter of
COMMERCIAL UNION ASSURANCE COMPANY plc
— and —
In the matter of
COMMERCIAL UNION LIFE ASSURANCE COMPANY LIMITED

[illegible]

Addresses for inspecting documents

P.O.Box No. 420, St. Helen's, 1 Undershaft, London. EC3P 3DQ	Grosvenor Street, St. Helier, Jersey.
26 George Street, Edinburgh, Scotland. EH2 2PH	Hirzel Court, Hirzel Street, St. Peter Port, Guernsey.
2/3 Donegall Square South, Belfast, Northern Ireland, BT1 5LS	42 Athol Street, Douglas, Isle of Man.

COMMODITIES AND AGRICULTURE

The EC's enigmatic mandarin

Tim Dickson talks to the publicity-shy bureaucrat in charge of the Common Agricultural Policy

"THE BEST diplomacy is invisible," Mr Maurice Couve de Murville, *President De Gaulle's* Foreign Minister, used to say.

Few individuals can have followed that advice more assiduously than Mr Guy Legras, the former French diplomat who is now Director General for Agriculture in the European Commission in Brussels.

Mr Legras administers an empire which has an annual budget equivalent to two-thirds of the Community's total; accounts for four-fifths of the EC's legislation; and has the unenviable day-to-day task of trying to *dispose of some* Ecu 12bn (£8.3bn) worth of unwanted food. The policy he is responsible for operating is sometimes described as the cement which holds Europe together. But its spiralling costs, according to some observers, are now threatening the Community's very foundations.

In spite of the power and prestige *of his* post *Mr Legras*, who is in his late 40s, remains something of an enigma. He avoids the Press whenever possible, he rarely makes public speeches and he is frustratingly elusive to the army of ambassadors and lobbyists who would dearly love to beat the path to his door.

Notwithstanding this low profile *(or perhaps because of it)* he has established a formidable behind-the-scenes reputation as a skilled negotiator and a problem-solver par excellence. His ability to "arrange matters" *was never better illustrated than* during the long political haggling about the UK's budget contribution which was finally resolved at the Fontainbleu summit in 1984. But by all accounts he has employed his talents to equal, *if* not greater, effect in his new wider role at the European Commission.

"It is typical," comments one of his staff, "to call on him with half a dozen problems which represent a week's worry and to *leave his office* after a quarter of an hour and two telephone calls with five of them solved and one definitively identified as insoluble."

His decisiveness no doubt derives from his impeccable training at France's Ecole Nationale d'Administration (ENA) and the Foreign Ministry, but his cheerfulness and wit are both remark*able in a man* who appears so anxious to keep out of the public eye.

In only his second interview in his two and a half years in Brussels Mr Legras recently *emphasised his* conviction that the current political negotiations in the EC farm council on the Commission's latest plans to bring agricultural expenditure under control—the so-called stabilisers package—represent *a crucial turning* point.

Speaking in his surprisingly spartan office on the sixth floor of the Commission's Berlaymont headquarters, he commented, "the situation is extremely serious now not only because of the increased budgetary costs but because of the situation on the world markets, *notably in cereals and oilseeds.* "For me, it would still be necessary to do something even if there was no financial crisis in the Community."

Mr Legras's basic prescription—a reduced role for the system of guaranteed EC purchases known as "intervention," lower prices and more direct income support for farmers (unrelated to production)—is broadly familiar as the official Commission line. But his insistence on lower prices—particularly for cereals and oilseeds, "where I think farmers have the biggest margins to make sacrifices," is unambiguous. He is notably dubious about the West German arguments in favour of cereals quotas—a system which Farm Ministers appeared to be moving towards in their enthusiasm for production-sharing at their last meeting in *Luxembourg—maintaining* that "this could be the end of a competitive European agriculture if not at least accompanied by price cuts."

In spite of the size of his budget and the vastness of the *problems of food mountains* Mr Legras says that "managing the market is not my main worry." He adds "It is much more difficult to get the council of Farm Ministers to accept the propositions of the Commission."

Contrary to what some cynics say he does not believe that Britain will drop its hard line on stabilisers and EC budget discipline if Mrs Thatcher gets a good deal from Brussels on the renegotiation of its budget rebate (the details of that proposal have yet to be spelt out by the Commission). "I am convinced that she will not accept the stabiliser *proposals (at* the Copenhagen summit) unless they involve real and substantial savings," he declares.

Big mercury deposit found in Spain

SPANISH PRODUCER Minas de Almaden y Arraynes SA has found a mercury deposit with exploitable reserves of 21,000 tonnes, capable of producing 135,000 flasks (34.5 kg each), according to Mr Jesus Martin Seco, the company *chairman, reports Reuter from* Madrid.

The new mine will raise total mercury reserves in Spain to 540,000 flasks, equivalent to 23.5 per cent of proven worldwide reserves, Mr Seco said.

The mine, discovered in Almaden in Southern Spain where the company's other mines are located, is expected to come into production in three years time.

The mine contained ore with an unusually high mercury content of 20.5 per cent, which would enable extraction costs to be *cut by more than half.* "There will be a dramatic fall in our extraction costs," Mr Seco said, adding that the company could then sell its output at lower prices.

Extraction costs at the new *mine would average $87 a flask* compared with costs of around $190 at its main open-cast Entredicho mine and $300 at its old Almaden mine.

The Almaden mine is coming to the end of its productive life *and is expected to cease production* within two years at roughly the same time as another new mine, Las Cuevas, comes on stream.

He said that before the latest deposit was discovered, the *mine with the richest mercury* content in the world was the Entredicho deposit.

He forecast Minas de Almaden's total mercury output for 1987 at 40,000-45,000 flasks, of which around 45 per cent was for export. It exported 30,000 in 1986 and last forecast that its exports this year would drop by around 25 per cent. Minas de Almaden *accounts for around* 90 per cent of mercury output in the European Community.

Chicago agricultural futures caught in market downslide

BY DEBORAH HARGREAVES IN CHICAGO

CHICAGO'S AGRICULTURAL futures markets were caught in *a downslide last week* as traders were forced to liquidate positions to cover losses in financial futures.

Some of the local traders in the grain pits watched in amazement as prices fell in a move not usually associated with a fall in stock prices. "Usually the opposite happens," commented Mr Tom Murray, a grain analyst at Stottler and Co at the Chicago Board of Trade.

Chicago's commodity traders have been very cautious over the last two weeks and have been watching the stock market carefully, according to one CBOT traders. Additionally, some of the big brokerage houses had pulled their traders out of the agricultural pits as they were forced to raise margins in the financial *markets.*

The CBOT's corn (maize) and soyabean futures were down their permissible daily limits at one point last week, effectively putting a cap on trading.

However, purchases by the Soviet Union of several million tonnes of grain in the cash market had supported the futures *prices, which picked up several* points on that news, only to drift down again into this week.

The Soviet purchases had brought a lot of the big commercial firms back to the market to hedge their commitments, although *grain trading is still* wary, Mr Murray said.

At the same time, livestock futures had also taken a beating with prices off by between $1 and $4 per contract. However, analysts doubt that was in response to the drop in *the stock market as livestock* fundamentals are currently bearish enough to have caused the slide.

A government report forecasting higher cattle production than was expected by the market had depressed futures prices last week. But the 3-4 per cent decline in prices could also be discounting in anticipa*tion of a recession*, an official at the Chicago Mercantile Exchange noted.

In a recession, consumers are likely to buy cheaper meats and move away from beef purchases, he said. There is in any *case a long-term move away* from beef consumption in the US towards poultry with chicken consumption expected to surpass that of beef for the first time next year.

Coffee price slide hits Rwanda's export earnings

BY A SPECIAL CORRESPONDENT

THE TINY, central African state of Rwanda—dependent on coffee exports for about 85 per cent of its foreign earnings—has been hit hard by the heavy fall in world coffee prices.

Already the Government has forced to cut its 1987 budget by around 15 per cent in order to subsidise coffee payments to producers, and is said by Western diplomats in the Rwandan capital, Kigali, to have paid out 3bn Rwandan francs (£23m) to Rwandex, the coffee exporter which buys the local crop.

Rwanda pays the highest coffee producer prices in the region and consequently as much as a third of its yearly exports of 30,000 to 40,000 tonnes may consist of coffee smuggled in over the hills from neighbouring Uganda, Burundi and Zaire. This year the smuggled coffee has become an expensive embarrassment as the Rwandan Government pays out far more than it can now afford.

One diplomatic source in Kigali claimed that about 38,000 tonnes of locally-grown, high quality arabica had passed through Rwandan factories this year. In addition, roughly 8,000 tonnes of robusta type coffee are annually exported from Rwanda, all of it smuggled in—Rwanda has no robusta trees.

Rwandan coffee is grown on peasant smallholdings in cool, mountainous areas of the country and Mr George Drew, an elderly British businessman, appears to have a virtual marketing monopoly.

Mocatta to be Thailand's gold importer

By David Blackwell

THAILAND HAS appointed Mocatta and Goldsmid, one of the five fixing members of the London gold market and the world's oldest bullion dealer, as the country's sole official importer of old.

The Thai Government wants to ensure that the old going to its booming jewellery industry not only reflects the world market price, but is also pure. The industry is believed to have suffered from both overpriced smuggled bullion and adulterated supplies.

Dr Suthee Singsaneh, the Thai finance minister, said Mocatta's appointment would help to boost "the standard quality of Thai gold used in making gem and jewellery settings which are exported."

Drought hits Indian sugar prospects

BY R. C. MURTHY IN BOMBAY

INDIA'S SUGAR production is projected to fall by 10 per cent this year from the record 8.5m *tonnes in the sugar year to* September 1987, triggering speculation of a substantial increase in imports, which have been averaging 1m tonnes a year over the past three years.

Drought in two-thirds of the country has damaged prospects for a good harvest but the impact on sugar cane, an irrigated crop, is not as severe as on others. A drop in the quality of cane is feared, however. Mr M. S. Marathe, secretary to the All-India Co-operative Sugar Mills Federation, says the sucrose content will fall as water is rationed to cane fields.

Sugar co-operatives are strong, especially in the western state of Mahrashtra, and account for almost two-thirds of India's 372 white sugar refineries. Cane plantations in Mahrashtra, accounting for a little less than a third of the country's sugar production, are irrigated by tube-wells and poor rainfall this year has affected the subsoil water table. The region is an efficient sugar producer with *sucrose recovery of* 11.5 per cent against a national average of 10 per cent.

A dozen of the state's sugar refineries may not restart crushing this season for want of cane. The situation is equally bad in the northern *state of Uttar* Pradesh, the largest, but less-efficient, sugar producing area, where private sugar mills compete with co-operatives for cane.

India's sweetener industry has peculiar features. White sugar *uses just a third of the 170m* tonnes of cane harvested, the remainder being used for making raw sugar in lump form by several hundreds of small firms in the unorganised sector and used mainly in the countryside *where white sugar is a luxury.*

INDIAN SUGAR
(million tonnes)

	Opening stocks	production	imports	consumption
1987-88	2.70	—	—	—
1986-87	2.43	8.50	0.78	8.70
1985-86	1.76	7.00	2.10	8.40
1984-85	2.37	6.14	1.18	8.00
1983-84	4.58	5.91	0.09	7.56
1982-83	2.26	8.43	—	5.53

Rapid urbanisation and improvements in living standards are fuelling demand *for* white sugar, however, with consumption rising over the past five years at a compound rate of 10 per cent to a record 8.7m tonnes last year.

The sugar industry, comprising 102 *private sector refineries*, 95 state-owned mills and 205 co-operatives, is governed by complex price and distribution controls introduced some 15 years ago when sugar was in short supply but continued *in years of glut to prevent* sugar mills going bankrupt. These controls are not enforced on lump sugar producers because of administrative problems.

A system of support prices operates to assure remunerative prices for sugarcane, although in practice competi*tion between sugar mills* and lump sugar producers has driven up cane prices far above the support levels.

Price controls have been relaxed and a cost-plus formula is now applied to only *half of white sugar production*, the rest being sold at market rates. The distribution of the entire production is controlled by monthly releases suggested by the government: "levy" (price-controlled) quota is sold at fixed prices through the public distribution system to poorer sections and the size of free-sale sugar quota determines market prices, which are now some 50 per cent higher than levy sugar.

The sugar industry is in the pink at the moment and share prices are high. A change in the proportion of levy to free sale quotas from 70:30 some five years ago to the present 50:50 has enabled sugar mills to pay attractive prices to farmers. Sugar production rose by a third in the past two years; the cane crop is up by nearly 10 per cent; and the area under cane has risen by three per cent.

The Indian Sugar Mills Association has suggested a 3-point plan to boost the industry's fortunes further. *It wants:*

- Capacity to pay more for cane to be enhanced by raising the free sale quota to 60 per cent of production;
- Establishment of a buffer stock of 600,000 tonnes of sugar to ease the burden of interest on bank loans and storage charges off sugar mills;
- And an increased levy sugar price to compensate for the escalation in production costs.

The Government is formulating a new sugar policy to take care of diverse interests. A price war between sugar mills and unorganised lump sugar producers would lift all sweetener prices, unleashing resentment in the countryside. This would run counter to the policy of keeping down prices of essential commodities in the worst drought years.

Domestic demand for sugar, is projected to surge to 9m tonnes this year while India has a small export quota of 35,000 tonnes under the International Sugar Agreement. The twin needs of domestic and export demand necessitate the evolution of a long-term policy to increase the cane yield, which has risen by just 20 per cent over the past decade. Analysts say sugar refineries should be scaled up to an optimum size to offer economies of scale and that by-products such as cane residue, called bagasse, used in paper manufacture, and alcohol should be used to produce value-added items.

LONDON MARKETS

COPPER AND aluminium prices came under further pressure on the London Metal Exchange yesterday. *Aggressive merchant selling of copper found prospective buyers thin on the ground* and the cash Grade A position closed £40.50 lower at £1,146 a tonne. Trading was very quiet in the afternoon, dealers said, with business mostly confined to book-squaring operations. Cash standard grade aluminium, meanwhile, registered a £52.50 fall to £97.50 a tonne, despite staging a partial rally in the *afternoon.* Prices had earlier slipped to the lowest levels since late *August* as sentiment was weighed down by fundamental and technical pressure. Sterling's early firmness, a contracting "backwardation" cash premium over forward metal) and bearish chart patterns were quoted as specific factors affecting the market. Currency factors were also influential on the coffee futures market. The dollar's weakness depressed prices for much of the day before signs of a recovery provided the market with a modest boost. At the close the January position was quoted at £1,292.50 a tonne, down £4 on the day.

LME prices provided by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 28	Oct. 27	M'th ago	Year ago
1668.5	1668.4	—	—

(Base December 31 1931=100)

DOW JONES

Dow Jones	Oct. 28	Oct. 27	M'th ago	Year ago
Spot	120.83	126.08	—	120.67
Fut	128.23	127.56	—	119.56

(Base December 31 1931=100)

MAIN PRICE CHANGES

	Oct. 29 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1880/720	—120	$1880/920
Copper			
Cash Grade A	£1146	—40.5	£1147
3 months	£1068	—32.5	£1173.5
Gold Troy oz	$477.5		$462.25
Lead Cash	£343.5	—1	£384
3 months	£339.25		£359.5
Nickel			
Free Mkt	252 272c	—3	244/264c
Palladium oz	$118.50	—3.00	$135.75
Platinum oz	$527.00	—10.00	$588.00
Quicksilver†	$295 335		$305/315
Silver troy oz	414.80p	—20.60	465.20p
3 months	424.35p	—0.60	477.55p
Tin			
Free Mkt	£4070-090		£4150-180
Tungsten	$51.16		$55.78
Wolfram 22.0lb	$38.60		$38.50
Zinc	£445	—1.5	£470
3 months	£449.5	—1	£473.5
producers	$823		$860
OILS			
Coconut (Phil)	$475z	+5	$500
Palm Malayan	$340y	—7.5	$365
Seeds			
Copra (Phil)	$320		$320
Soyabean (U.S.)	$139y	+37	$151.5
GRAINS			
Barley Fut. Jan.	£106.60	+0.20	£105.45
Maize	£133.00		£151.50
Wheat Fut. Jan.	£111.10	+0.10	£107.05
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1180.5	+6.0	£1252
Coffee Ft. Jan	£1292.5	—4.0	£1296.5
Cotton A Ind.*	71.50c	—0.40	82.60c
Gas Oil Dec.	$160.25	—1.75	$160.75
Rubber (kilo)	62.30p	—0.25	57p
Sugar (raw)	$167.0w		$162.5
Wooltops 64s	515p kilo		510p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	1740-60	—67.5	—
3 months	1660-70	—45	1675 1665

Official closing (am): Cash 1,650-710 (1,820-40), three months 1,620-40 (1,720-40), settlement 1,710 (1,840). Final Kerb close: 1,670-80. Ring turnover: —— tonnes.

ALUMINIUM—99.5 per cent

99.5% purity	£ per tonne		
Cash	995-9	—52.5	973 945
3 months	951-2	—37	963.5 927

Official closing (am): Cash 968-9 (1,070-3), three months 920-1 (990-1,000), settlement 969 (1,073). Final Kerb close: 963-4. Ring turnover: 33,925 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1145-7	—40.5	1145 1138
3 months	1067-9	—32.5	1075 1064

Official closing (am): Cash 1,140-2 (1,190-2), three months 1,067-8 (1,096-8), settlement 1,142 (1,192). Final Kerb close: 1,064-5.

STANDARD	—	—	—
Standard Cash	1105-15	—37.5	—
3 months	1040-5	—4.7	1046

Official closing (am): Cash 1,100-10 (1,152-4), three months 1,045-50 (1,085-8), settlement 1,110 (1,154). US Producer prices: 83.5-91 cents a pound. Total ring turnover 49,128 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	345-4	—1	344/342
3 Months	339-9.5	—	342/337

Official closing (am): Cash 343-4 (344-5), three months 338-8.5 (340-1), settlement 344 (345). Final Kerb close: 341-2. Ring turnover: 11,550 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3350-60	+10	3300/—
3 months	3311-25	+9.5	3320/3270

Official closing (am): Cash 3,310-20 (3,370-85), three months 3,277-80 (3,345-50), settlement 3,320 (3,380). Final Kerb close: 3,310-5. Ring turnover: 1,710 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	442-4	—1.5	444.5/443
3 months	449-50	—1	452.5/449.5

Official closing (am): Cash 444.5-4.75 (446-7), three months 451-2 (453-3.5), settlement 444.75 (447). Final Kerb close: 449-5. Ring turnover: 5,950 tonnes. US Prime Western: 43-43.75 cents per pound.

SILVER

Silver was fixed 20.8p an ounce lower for spot delivery on the London bullion market yesterday, at 414.80p. US cent equivalents of the fixing levels were: Spot 714c, down 31.6c, three-month 728.15c, down 32.05c; six-month 742.10c, down 32.5c; and 12-month 772.35c, down 34.35c.

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	414.80p	—20.80	704.5c	—33.5
3 months	424.35p	—20.80	718.5c	—33.5
6 months	433.65p	—21.15	—	—
12 months	452.50p	—21.85	—	—

LME—Turnover: 0 (0) lots of 10,000 ounces.

Final kerb close 700-5c.

COFFEE

Technical liquidation pushed robustas lower again today, reports Drexel Burnham Lambert. In early trading, commission house liquidation encountered good trade short-covering which initially held levels, but by late afternoon further liquidation met little resistance and prices closed on the lows of the day.

COFFEE	Yesterday's close	+ or —	Business done
Nov	1268-1270	—7.5	1270-1255
Jan	1292-1293	—4.0	1304-1291
Mar	1317-1318	—4.5	1327-1315
May	1340-1345	—4.5	1347-1338
July	1368-1370	+2.0	1368-1359
Sept	1380-1385	+0.5	1382-1370
Nov	1405-1415	+2.0	1395-1395

Sales: 4,536 (6,483) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 28: Comp. daily 1979 111.93 (111.80); 15-day average 111.34 (111.82).

COCOA

Futures were currency driven today and traded in a £10 range to close on a steady note at the highs of the day. Light producer trading of physicals was allied to consumers re-entering the market, however, cocoa products rather than beans attracted their attention, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business done
	£ per tonne		
Dec	[illegible]		
March	[illegible]		
May	[illegible]		
July	[illegible]		
Sept	[illegible]		
Dec	[illegible]		
March	[illegible]		

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1159-1160	1165-1158	1154
Jan.	1239-1240	1254-1238	1242
Apr.	1265-1265	1282-1280	1276
July	1145-1150	1160-1147	1155
Oct.	1200-1250	1225-1225	1240
Jan.	1250	1250-1250	1240
April	—	1245-1245	1300
BFI.	1166.5	—	1156

Turnover: 142 (316).

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

GRAINS

Wheat market firmed on shopper support absorbing mixed trade selling interest remaining in a narrow trading *range and closing steady on resolution* optimism. Barley also firmed with large bids for weekly tender keeping buyers in the market throughout the day, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'dy's close	+ or —	Yest'dy's close	+ or —
Nov.	108.35	+0.40	104.45	+0.40
Jan.	111.10	+0.10	106.60	+0.20
Mar.	113.35	+0.15	108.75	+0.05
May	115.80	+0.30	110.40	+0.20
July	118.30	+0.25	—	—
Sept.	102.25	—	98.60	+0.50
Nov.	104.85	—	101.10	—0.50

Business done—Wheat: Nov 108.45-8.20, Jan 111.25-1.00, Mar 113.50-3.15, May 115.90-5.70, July 118.30-8.20, Sept untraded, Nov untraded. Sales: 259 lots of 100 tonnes. Barley: Nov 104.45-4.30, Jan 106.70-6.55, Mar 109.10-9.00, May untraded, Sept untraded, Nov untraded. Sales: 88 lots of 100 tonnes.

HGCA—Locational ex-farm spot

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Nov 91.75, Dec 92.25. US No 2 Soft Red Winter: Nov 89.25, Dec 91.00. French 11½-12 per cent, Oct/Nov 136.50 sellers. English feed, fob, Spot 108.50 seller, Nov 110.00-120.50, Dec 111.00-111.50, Jan/March 114.00-114.70, April/June 117.00-117.75 buyer/sellers. Maize: US No 3 Yellow/French transhipment East Coast: Oct/Nov 133.00 seller. Barley: English feed: Nov 108.50 buyer, Dec 110.00-111.00, Jan/March 113.00-113.25 buyer/sellers, April/June 117.50 seller. prices: Feed Barley: W. Mids 103.20; N. West 102.20. On November 1, the UK monetary coefficient will be actualised on the basis of exchange rates for calculation period 14-20 November.

TIN

KUALA LUMPUR TIN MARKET: Close 17.30 (17.22) ringgit per kg. Up 0.08.

GOLD

GOLD BULLION (fine ounce) Oct. 27

[illegible]

GOLD AND PLATINUM COINS

[illegible]

RUBBER

PHYSICALS—Closing prices (buyers): Spot 62.50p (62.75p). Dec 65.50p (65.75p); Jan 66.00p (66.25p). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) were: RSS No 1 284.0 (284.5); SMR 20 254.5 (same).

POTATOES

Nervous long liquidation continued to weigh heavily on market today. April opened £2.00 down before rapidly falling through £150 hitting stop-loss

US MARKETS

A STRENGTHENING US dollar following overnight declines helped intensify downside pressure on the precious metals, reports Drexel Burnham Lambert. Early trade buying in gold quickly succumbed to commission house and local selling which in turn touched off stops to ease prices back to the support at 464.00 basis December. The trade was forced to liquidate, but good buying emerged at the lows to stem the decline. Platinum and silver also moved sharply lower, platinum remained locked at limit down, but support was noted in the silver at 680 basis December. Copper ended a choppy day lower on commission house selling in the face of scale-down trade buying. Energy futures were weak, in the crude oil the trade was a noted seller outright and profittaking was noted on spreads. Cocoa eased on trade and speculative selling based on dollar strength versus sterling, but towards the close, speculative short-covering helped lift prices. Coffee eased on commission selling but then recovered on short-covering. Sugar also fell on commission house selling in the face of scale-down trade buying. Cotton reached new lows on commission house selling which touched off stops before trade buying pared losses. Grains were quietly lower on expectations of deliveries against expiring futures contracts, only soymeal was firm on steady cash prices. Cattle futures moved to limit down on heavy long liquidation, but trade and speculative buying reversed the decline. Hogs and pork bellies tended to follow cattle.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Nov	80.50	81.00	—	—
Dec	79.00	79.50	78.50	78.10
Jan	78.00	79.00	—	—
Feb	—	—	—	—
Mar	75.75	77.25	78.00	75.50
Apr	—	—	—	—
May	71.50	72.00	—	—
May	71.50	72.00	—	—
Jul	69.50	69.50	—	—
Sep	69.50	69.50	—	—
Dec	69.50	69.50	—	—

COCOA 10 tonnes; $/tonnes

[illegible]

COFFEE "C" 37,500 lbs; cents/lbs

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

COTTON 50,000 lbs; cents/lbs

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

[illegible]

HEATING OIL 42,000 US gallons; cents/US gallons

[illegible]

GOLD 100 troy oz; $/troy oz

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

PLATINUM 50 troy oz; $/troy oz

[illegible]

SILVER 5,000 troy oz; cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lbs; cents/lbs

[illegible]

MAIZE 5,000 bu min; cents/56-lb bushel

[illegible]

PORK BELLIES 38,000 lbs; cents/lbs

[illegible]

SOYABEANS 5,000 bu min; cents/60-lb bushel

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

WHEAT 5,000 bu min; cents/60-lb bushel

[illegible]

SPOT PRICES: Chicago loose lard 18.00 (same) cents per pound. Handy and Harman silver bullion 681.00 (736.00) cents per troy ounce.

OIL

CRUDE OIL—FOB ($ per barrel) Dec

[illegible]

PRODUCTS—North West Europe. Prompt delivery cif ($ per tonne)

[illegible]

November Petroleum Argus estimates.

SOYABEAN MEAL

[illegible]

Sales: 118 (101) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $187.00 (£105.80), up $2.00 (up £0.40) a tonne for November/December delivery. White sugar $192.00, up $2.50.

[illegible]

International Sugar Agreement—US cents per pound fob and stowed Caribbean ports. Prices for October 28. Daily price 7.14 (7.05); 15-day average 6.73 (6.68).

PARIS—White (FFr per tonne): Dec 1125-1132, March 1170-1175, May 1205, Aug 1225-1233, Oct 1235-1243, Dec 1245-1255.

GAS OIL FUTURES

IME—Turnover: 0 (0) lots of 10,000 tonnes.

Final kerb close 761-3c.

[illegible]

Turnover: 1,750 (2,727) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

Credibility appeared to be the main problem facing officials trying to defend the dollar with words yesterday.

Financial leaders among the major industrial nations did not appear to be very pleased with Mr. Jacques Delors, president of the European Commission, who said on Wednesday that the US was prepared to let the dollar fall to DM1.60.

The US Treasury stated that his comments did not reflect official policy.

Mr Delors is a former Finance Minister of France and yesterday the French Finance Ministry issued, what was described as a terse statement, disassociating itself from his remarks.

In Tokyo Mr Kiichi Miyazawa, Japanese Finance Minister, tried to give the impression the Louvre currency accord was sacrosanct, and spoke of aggressive intervention.

But the market preferred to believe Mr Delors, because of the background economic situation involving the US budget and trade deficits.

Speaking in Cologne, Mr Martin Bangemann, West German Economic Minister, appeared to deepen the rift between his country and the US over economic policy. He was firm on maintaining a sound policy in Germany, and suggested the US should put its own house in order.

The dollar fell to a low of DM1.7180, and finished at DM1.7280, compared with DM1.7530 on Wednesday, the lowest closing level since January 1980. It also weakened to a record closing low against the yen of Y138.15, against Y139.25 previously, and declined to an all time low of SFr1.4335 from SFr1.4440, and to FFr5.8250 from FFr5.8750.

On Bank of England figures the dollar's index fell to 98.3 from 98.8.

STERLING-Trading range against the dollar in 1987 is 1.7305 to 1.4710 September average 1.6456 Exchange rate index rose 0.2 to 74.6, compared with 73.0 six months ago.

Sterling gained 1 cent to $1.7200-1.7210, the highest level since September 1982. On the other hand it weakened again most other major currencies, falling to DM2.9725 from DM2.9975; to FFr10.0225 from FFr10.05; to SFr2.4675 from SFr2.47; and to Y237.75 from Y238.25.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.7280 September average 1.8122. Exchange rate index 149.6 against 146.8 six months ago.

The D-Mark continued to advance against the weak dollar, causing nervousness that this could result in strains within the European Monetary System. At times of dollar weakness funds tend to be attracted more to the D-Mark than other members of the EMS, pushing the West German currency to unacceptably high levels.

The Bank of France sold D-Marks against the franc on the open market, but still failed to prevent the German unit rising to a record high of FFr3.3725 at the Paris fixing.

As a further sign of possible strains within the EMS the D-Mark rose to a record L729.25 against the lira at the Milan fixing.

At the Frankfurt fixing the Bundesbank bought $49.5m as the dollar was fixed at DM1.7360, compared with DM1.7491 on Wednesday, when the central bank purchased $19.5m.

JAPANESE YEN-Trading range against the dollar in 1987 is 159 45 to 138.15. September average 143.19. Exchange rate index 226.7 against 225.6 six months ago.

The yen advanced strongly against the dollar. Bank of Japan intervention was estimated at just unber $1bn,

The dollar touched a low of Y137.40 in Tokyo, before closing at Y137.55, compared with Y140.75 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2730	+1.92	+1.13	±1.5344
Danish Krone	7.85212	7.97816	+1.61	+0.82	±1.6404
German D-Mark	2.05853	2.06746	+0.43	-0.36	±1.0981
French Franc	6.90403	6.96949	+0.95	+0.16	±1.3674
Dutch Guilder	2.31943	2.32818	+0.38	-0.41	±1.5012
Irish Punt	0.768411	0.778363	+1.30	+0.51	±1.6684
Italian Lira	1483.58	1509.74	+1.76	+1.41	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.29	Latest	Previous Close
£ Spot	1.7185-1.7195	1.7235-1.7245
1 month	0.35-0.33pm	0.28-0.27pm
3 months	0.81-0.77pm	0.55-0.51pm
12 months	2.70-2.60pm	1.40-1.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.29	Previous
8.30	am	74.5	74.2
9.00	am	74.5	74.3
10.00	am	74.6	74.3
11.00	am	74.5	74.3
Noon		74.6	74.3
1.00	pm	74.6	74.3
2.00	pm	74.6	74.4
3.00	pm	74.7	74.3
4.00	pm	74.6	74.4

CURRENCY RATES

Oct.29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.770038	0.692114
U.S Dollar	6	1.32462	1.19300
Canadian $	8.75	[illegible]	1.57177
Austrian Sch.	4	16.2130	14.5534
Belgian Franc	7½	48.0970	43.2730
Danish Krone	7	8.87496	7.97816
Deutsche Mark	3	2.29954	2.06746
Neth.Guilder	4½	2.58963	2.32813
French Franc	9½	7.74508	6.96949
Italian Lira	12	N/A	1509.74
Japanese Yen	2½	182.986	164.758
Norway Krone	8	8.61990	7.83202
Spanish Peseta	—	153.391	138.149
Swedish Krona	7½	8.20602	7.40254
Swiss Franc	3.5	1.90613	1.71258
Greek Drach.	20½	179.380	161.748
Irish Punt	—	N/A	0.778363

*CS/SDR rate for Oct.29 1.74046

CURRENCY MOVEMENTS

Oct.29	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.6	-19.2
U.S Dollar	98.3	- 8.5
Canadian Dollar	77.6	-10.4
Austrian Schilling	140.6	+10.6
Belgian Franc	100.5	-4.5
Danish Krone	92.8	+2.1
Deutsche Mark	149.6	+23.0
Swiss Franc	176.9	23.8
Guilder	137.7	+15.3
French Franc	72.1	-13.1
Lira	47.8	-18.6
Yen	226.7	+59.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Oct.29	£	$
Argentina	7.0080-7.0965	4.0600-4.1100
Australia	2.5725-2.5775	1.5015-1.5025
Brazil	95.5045-96.0215	55.3360-55.6130
Finland	7.3150-7.3366	4.2560-4.2580
Greece	231.25-235.30	134.20-136.50
Hong Kong	13.4270-13.4610	7.8050-7.8065
Iran	119.20*	70.20*
Korea(Sth)	1376.75-1389.23	798.90-805.50
Kuwait	0.47690-0.47740	0.27675-0.27685
Luxembourg	62.15-62.25	36.10-36.20
Malaysia	4.3130-4.3245	2.5085-2.5100
Mexico	2828.75-2833.35	1639.00-1641.00
N. Zealand	2.9105-2.9205	1.7005-1.7035
Saudi Ar.	6.4630-6.4685	3.7500-3.7510
Singapore	3.5580-3.5655	2.0685-2.0700
S. Af (Cm)	3.4460-3.4620	2.0100-2.0140
S. Af (Fn)	6.1465-6.3735	3.5715-3.7035
Taiwan	51.70-51.95	29.95-30.05
U.A.E.	6.3295-6.3350	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Oct.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7175-1.7310	1.7200-1.7210	0.29-0.26cpm	1.92	0.60-0.55pm	1.33
Canada	2.2629-2.2720	2.2675-2.2685	0.23-0.13cpm	0.95	0.38-0.22pm	0.53
Netherlands	3.3375-3.3692	3.3375-3.3475	1.20-1.00cpm	4.09	3.14-2.95	3.64
Belgium	62.05-62.49	62.15-62.25	14-10cpm	2.32	36-29pm	2.09
Denmark	11.46¼-11.55¼	11.46¾-11.47¾	0.13-1.12oredis	-0.65	2.75-3.88dis	-1.16
Ireland	1.1188-1.1259	1.1190-1.1200	0.14-0.06cpm	1.07	0.24-0.06pm	0.54
W. Germany	2.9675-2.9929	2.9675-2.9775	1.40-1.30pfpm	5.45	3.71-3.35pm	4.75
Portugal	238.06-240.74	238.20-239.20	58-115cdis	-4.35	243-338dis	-4.87
Spain	197.86-200.30	199.80-200.00	84-154cdis	-7.14	202-275dis	-4.77
Italy	2169-2187¼	2170-2171	7.40-9.60lireis	-4.70	17.20-23.10dis	-3.71
Norway	11.20½-11.33¼	11.27¾-11.28¾	4.25-4.75oredis	-4.79	14.88-15.50	-5.39
France	10.01-10.08¼	10.01¾-10.02¾	0.75-0.25cpm	0.60	0.38pm-0.63dis	-0.20
Sweden	10.65¼-10.72	10.65¼-10.66¼	0.25pm-0.25dis	-	0.25-1.00dis	-0.23
Japan	237-238¼	237¼-238¼	1.06-0.95ypm	5.07	2.82-2.68pm	4.63
Austria	20.91-21.10	20.91-20.94	8.13-7.13gropm	4.18	21.38-18.38pm	3.67
Switzerland	1.4603-2.4741	2.4625-2.4675	1.29-1.16cpm	5.96	3.19-2.99pm	5.01

Belgian rate is convertible francs. Financial franc 62.40-62.50. Six-month forward dollar 1.05-1.00cpm. 12-month 1.55-1.45cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7175-1.7310	1.7200-1.7210	0.29-0.26cpm	1.92	0.60-0.55pm	1.33
Ireland†	1.5255-1.5400	1.5385-1.5395	0.17-0.10cpm	1.06	0.45-0.35pm	1.05
Canada	1.3140-1.3180	1.3170-1.3180	0.08-0.12cdis	-0.91	0.21-0.26	-0.71
Netherlands	1.9370-1.9595	1.9420-1.9430	0.37-0.34cpm	2.18	1.17-1.12pm	2.36
Belgium	36.05-36.35	36.10-36.20	1.80-0.80cpm	0.43	8.00-5.50pm	0.74
Denmark	6.6575-6.7110	6.6650-6.6700	1.05-1.75oredis	-2.52	3.25-3.95dis	-2.15
Ireland	1.5255-1.5400	1.5385-1.5395	0.17-0.10cpm	1.06	0.45-0.35pm	1.05
W. Germany	1.7180-1.7395	1.7275-1.7285	0.52-0.50pfpm	3.53	1.52-1.48pm	3.46
Portugal	138.75-139.25	138.75-139.00	55-85cdis	-7.25	180-230dis	-7.08
Spain	114.30-116.10	115.95-116.05	75-125cdis	-10.80	200-300dis	-7.20
Italy	1253-1271	1261¼-1261¾	5.20-6.20lireis	-5.48	14.70-17.00dis	-5.01
Norway	6.4520-6.5800	6.5525-6.5575	3.35-3.70oredis	-6.44	10.40-10.80dis	-6.45
France	5.7950-5.8700	5.8225-5.8275	0.60-0.80cdis	-1.44	2.10-2.70dis	-1.64
Sweden	6.1740-6.2170	6.1925-6.1975	1.00-1.30oredis	-2.22	2.20-2.60dis	-1.54
Japan	137.15-138.65	138.10-138.20	0.38-0.35ypm	3.16	1.16-1.12pm	3.29
Austria	12.19-12.23¾	12.20½-12.21	2.50-2.10gropm	2.28	8.25-6.75pm	2.44
Switzerland	1.4240-1.4390	1.4330-1.4340	0.51-0.46cdis	4.08	1.36-1.29pm	3.92

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.25-36.35.

EURO-CURRENCY INTEREST RATES

Oct.29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	8-7¾	9-8	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	11-10	17-13½	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Kroner	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 9⅛-9 per cent; four years 9¼-9⅛ per cent; five years N/A per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.721	2.973	237.8	10.02	2.468	3.343	2171.	2.678	62.20
$	0.581	1.	1.728	138.2	5.825	1.434	1.943	1262.	1.557	36.15
DM	0.336	0.579	1.	79.98	3.372	0.830	1.124	730.2	0.901	20.93
YEN	4.206	7.237	12.50	1000.	42.16	10.38	14.06	9129.	11.26	261.6
F Fr.	0.998	1.717	2.966	237.2	10.	2.462	3.335	2166.	2.672	62.06
S Fr.	0.405	0.697	1.205	96.35	4.062	1.	1.355	879.6	1.085	25.21
H Fl.	0.299	0.515	0.889	71.13	2.999	0.738	1.	[illegible]	[illegible]	18.61
Lira	0.461	0.793	1.370	109.5	4.618	1.137	1.540	1000.	1.234	28.66
C $	0.373	0.642	1.110	88.78	3.743	0.921	1.248	810.5	1.	23.23
B Fr.	1.608	2.766	4.779	382.2	16.11	3.967	5.374	3490.	4.306	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts firm but nervous

Long-term gilt futures finished firmer on the London International Financial Futures Exchange yesterday, but trading was quieter than of late, and traders were generally nervous.

The BP share issue continued to overhang the market. Dealers were generally of the opinion that the Government would proceed with the sale, but there had been no announcement by the time the Liffe market closed.

December long term gilts opened higher at 121-03, boosted by the strength of sterling against the dollar, and by speculation that UK bank base rates would be cut within the next few hours.

The contract rose to a peak of 121-24, but fell back when the Bank of England resisted an immediate cut in base rates, to a low of 120-29, before closing at 121-12, compared with 120-24 on Wednesday.

Three-month sterling deposit futures followed a similar trading pattern, opening at 91.48 for December delivery, which was only slightly below the day's high of 91.50, as traders were of the opinion that the Bank of England was about to endorse a cut to 9 p.c. in base rates.

The failure of the central bank to intervene in the money market before lunch meant a cut in rates was not welcome. Bills were offered by the market at unacceptebly low rates, which if accepted would have triggered a cut.

December short sterling futures then fell back to a low of 91.19. The contract closed at 91 27, against 91.24 previously

Dealers said although there was disappointment at the lack of a base rate cut, lower rates were already built into the market, and there was general confidence that the authorities would not resist for much longer.

December US Treasury bonds fell to 86-21 from 86-30, but finished above the opening level of 86-19, in spite of the further weakness of the dollar.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
106	15.24	15.31	0.00	0.09
108	13.24	13.38	0.00	0.16
110	11.25	11.49	0.01	0.27
112	9.28	10.12	0.04	0.44
114	7.34	8.26	0.10	1.04
116	5.45	6.58	0.21	1.36
118	4.05	5.37	0.45	2.15
120	2.44	4.26	1.20	3.04

Estimated volume total, Calls 3599 Puts 2603
Previous day's open int: Calls 45016 Puts 30941

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
70	16.42	15.54	0.00	0.06
72	14.42	13.60	0.00	0.12
74	12.42	12.06	0.00	0.22
76	10.44	10.21	0.02	0.37
78	8.47	8.43	0.05	0.59
80	6.55	7.10	0.13	1.26
82	5.09	5.51	0.31	2.03
84	3.36	4.38	0.58	2.54

Estimated volume total, Calls 275 Puts 339
Previous day's open int: Calls 2230 Puts 1912

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
17000	0.00	0.00	-	-
17250	0.00	0.00	-	-
17500	0.00	0.00	-	-
17750	0.00	0.00	-	-
18000	0.00	0.00	-	-
18250	0.00	0.00	-	-
18500	0.00	0.00	-	-
18750	0.00	0.00	-	-

Estimated volume total, Calls 4 Puts 0
Previous day's open int: Calls 60 Puts 166

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-Last NOV	DEC	JAN	MAR	Puts-Last NOV	DEC	JAN	MAR
1.50	22.60	22.60	—	22.60	0.00	0.00	—	0.21
1.55	17.60	17.60	17.60	17.60	0.00	0.03	0.19	0.57
1.60	12.60	12.60	12.69	13.09	0.01	0.19	0.60	1.29
1.65	7.63	8.02	8.63	9.36	0.15	0.77	1.54	2.56
1.70	3.50	4.45	5.35	6.30	1.02	2.20	3.26	4.50
1.75	1.03	2.05	2.98	3.98	3.55	4.80	5.89	7.18
1.80	0.17	0.77	1.49	2.35	7.69	8.52	9.40	10.55

Estimated volume total, Calls 109 Puts 30
Previous day's open int: Calls 429 Puts 1356

LIFFE SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last NOV	DEC	JUN	MAR	Puts-Last NOV	DEC	JAN	MAR
1.45	—	12.90	—	—	—	2.70	—	—
1.50	20.60	20.60	—	20.60	0.30	0.30	—	0.30
1.56	15.60	15.60	—	15.60	0.30	0.30	—	0.50
1.60	10.60	11.25	10.60	11.00	0.30	0.50	0.80	1.30
1.65	6.10	6.60	6.00	7.20	0.40	1.00	1.65	2.60
1.70	2.45	3.50	3.80	5.20	1.65	2.80	3.60	4.75
1.75	—	1.20	—	1.80	—	16.50	—	17.50

Estimated volume total, Calls 913 Puts 139
Previous day's open int: Calls N/A Puts N/A

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last Nov	Dec	Jan	Mar	Puts-Last Nov	Dec	Jan	Mar
1.575	14.80	14.80	14.80	14.90	0.10	0.10	0.20	0.80
1.600	12.30	12.30	12.50	12.75	0.10	0.20	0.45	1.15
1.625	9.80	0	10.30	10.65	0	0	0.80	0
1.650	7.50	8.00	8.30	8.80	0.10	0.60	1.30	2.05
1.675	5.25	5.90	6.60	7.20	0.35	1.20	2.05	2.85
1.700	3.35	4.30	5.00	5.70	0.95	2.05	2.85	3.85
1.725	1.80	2.80	3.70	4.45	1.95	3.00	4.00	5.05

Estimated volume total, Calls 11583 Puts 3575
Previous day's open int: Calls 104909 Puts 73687

LIFFE- EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-Last Nov	Dec	Jan	Mar	Puts-Last Nov	Dec	Jan	Mar
89.75	2.74	2.61	2.22	2.00	0.01	0.10	0.23	0.42
90.00	2.49	2.38	2.01	1.81	0.01	0.12	0.27	0.48
90.25	2.25	2.16	1.81	1.63	0.02	0.15	0.32	0.55
90.50	2.01	1.94	1.62	1.46	0.03	0.18	0.38	0.63
90.75	1.77	1.73	1.43	1.29	0.04	0.22	0.44	0.71
91.00	1.54	1.53	1.25	1.13	0.06	0.27	0.51	0.80
91.25	1.30	1.34	1.09	0.99	0.07	0.33	0.60	0.91

Estimated volume total, Calls 130 Puts 0
Previous day's open int: Calls 2725 Puts 2703

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	121-12	121-24	120-29	120-24
Mar	121-11	121-11	121-01	120-24

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
DEC	86-17	87-03	86-02	86-07
MAR	85-19	86-04	85-06	85-08
JUN	84-27	85-09	84-27	84-14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
DEC	0.7273	0.7278	0.7249	0.7249
MAR	0.7332	0.7332	0.7310	0.7308
JUN	0.7384	0.7385	0.7382	0.7368
SEP	0	0	0	0.7430

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING $ per £

	Close	High	Low	Prev.
Dec	1.7185	1.7210	1.7165	1.7200
Mar	1.7130	1.7180	1.7130	1.7170
Jun	1.7075	0	0	1.7110

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7225	1.7257	1.7197	1.7082
Mar	1.7180	-	-	1.7037
Jun	1.7147	-	-	1.7000

Estimated volume 33 5
Previous day's open int. 280 (275)

MONEY MARKETS

Bank resists base rate cut

Interest rates on the London money market continued to point towards another cut in UK bank base rates yesterday.

Three-month interbank fell to 9⅛-8 15/16 p.c. in early trading, on speculation the Bank of England would endorse a cut in UK bank base rates yesterday. The rate soon moved up to 9⅛-9 p.c. however, and remained at that level for the rest of the day, as it became clear the authorities were resistaning any immediate move on base rates.

UK clearing bank base lending rate 9½ per cent from October 26

The Bank of England forecast a money market shortage of £500m, and provided total help of £361m.

The authorities did not operate in the market before lunch. Discount houses offered bills at rates indicating a cut in bank base rates and the central bank was not prepared to deal.

In the afternoon only £96m bills were bought by the Bank of England at an unchanged 9⅜ p.c., suggesting the houses do not wish to part with bills and are confident a reduction in base rates remains imminent.

Late assistance of £265m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £772m, with a rise in the note circulation absorbing £65m. These outweighed Exchequer transactions adding £330m to liquidity, and bank balances above target of £10m.

In New York the US Federal Reserve added liquidity to the banking system, via four-day system repurchase agreements, when Federal funds were trading at 6⅝ p.c., compared with an average of 6.72 p.c. on Wednesday.

In Frankfurt call money fell sharply to around 3.25 p.c. from 3.95 p.c., as the West German Bundesbank renewed currency swaps, via D-Marks against the dollar. The central bank provided funds in a similar way for one day on Wednesday, but yesterday's swaps will run until Monday.

The rate charged by the central bank was at 3.80 p.c. and below, which dealers suggested indicated the Bundesbank is likely to reduce the rate on its next securities repurchase agreement tender, expected next week. A fixed rate of 3.60 p.c. was forecast, compared with 3.80 p.c. at last week's tender.

No early reduction is expected in the Bundesbank's 3 p.c. discount rate or the Lombard emergency financing rate of 5 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.29) 3 months US dollars		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7⅝	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK
(Lunchtime)

Prime rate	9.00
Broker loan rate	8.25
Fed.funds	6.75
Fed.funds at intervention	6.82

Treasury Bills and Bonds

One month	3.84	Three year	7.85
Two month	4.47	Four year	8.20
Three month	5.07	Five year	8.35
Six month	6.03	Seven year	8.71
One year	6.60	10-year	8.93
Two year	7.53	30-year	9.11

Oct.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.00-3.50	3.80-3.90	3.85-3.95	4.40-4.60	4.45-4.65	5.00
Paris	7⅞-7⅞	7⅞-7⅞	7⅞-8⅛	8⅛-8⅜	8⅜-8⅞	7½
Zurich	1-1½	2⅝-3⅛	—	3⅞-4⅛	—	—
Amsterdam	5⅛-5⅜	5⅛-5⅜	—	5⅜-5½	—	—
Tokyo	3.40625	3.84375	—	3.96875	—	—
Milan	10-10⅛	10½-11	—	11⅛-12⅛	—	—
Brussels	7.40	6¾-6⅞	—	7⅛-7⅜	—	—
Dublin	9-8¾	8⅞-8⅝	9-8¾	9⅛-8⅞	9½-9⅛	—

LONDON MONEY RATES

Oct.29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	10.5-7.75	9.38-9.00	9.06-8.94	9.13-9.00	9.13-9.00	9.13-9.00
Sterling CDs	-	-	9.00-8.88	9.03-8.91	9.06-8.94	9.06-8.94
Local Authority Deps.	9.00	9.00	8.94	8.94	8.94	8.94
Local Authority Bonds	-	-	9.44-9.19	9.44-9.19	9.50-9.25	9.56-9.31
Discount Mkt Deps.	9.75-9.00	9.00	8.75	8.63	-	-
Company Deposits	-	9.25	9.00	9.00	9.00	9.00
Finance House Deposits	-	-	9.06	9.125	9.125	9.125
Treasury Bills (Buy)	-	-	8.875	8.875	8.875	8.875
Bank Bills (Buy)	-	-	8.906	8.875	8.75	-
Fine Trade Bills (Buy)	-	-	9.531	9.505	9.375	-
Dollar CDs	-	-	7.10-7.05	7.65-7.60	7.65-7.60	8.10-8.05
SDR Linked Deposits	-	-	6.94-6.81	7.69-7.56	7.69-7.56	7.94-7.81
ECU Linked Deposits	-	-	6.25-6.00	6.69-6.44	6.81-6.56	7.00-6.75

Treasury Bills (sell): one-month 8⅞ per cent; three months 8¾ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 9.7858 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day SEPTEMBER 30, 1987. Agreed rates for period OCTOBER 26 to NOVEMBER 24, 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to SEPTEMBER 30, 1987, Scheme IV: 10.219 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from OCTOBER 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month — per cent; one-three months — per cent; three-six months — per cent; six-nine months — per cent; nine-twelve months — per cent; Under £100,000 — per cent from OCTOBER 26. Deposits withdrawn for cash — per cent.

Appointments

Company Notice

THE UNION COLD STORAGE OF SOUTH AFRICA LIMITED
(Incorporated with limited liability in the Republic of South Africa)
Reg. No. 02/01318/06

NOTICE IS HEREBY GIVEN that Dividend No. 39 of 70 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 13th November 1987.

The dividend is declared in the currency of the Republic of South Africa and warrants in payment will be posted on or about 1st December 1987 from the Head Office and the London Office.

Payment from the London Office will be made in United Kingdom currency at the rate of exchange between the two currencies at which the funds to meet payment from the London Office will be remitted on 16th November 1987.

A Non-Resident Shareholders' Tax of 15% will be deducted from dividends payable to shareholders whose addresses in the Share Registers are outside the Republic of South Africa. Warrants despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to deduction of United Kingdom Income Tax at a rate to be arrived at after allowing for relief in respect of overseas taxation.

By Order of the Board
AFRICAN FINANCE CORPORATION (UK) LIMITED
London Secretaries
per: R. S. Brant

London Office:
8-16 Earl Street
Finsbury Square
London EC2A 2NA
30th October 1987

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

[illegible]

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.17858 SDR1=$US1.31517
As of October 28, at 11.00 a.m.

Eurodollar Libor: 3 months 7⅞, 6 months 7⅞
Libor: [illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 28 1987					TUESDAY OCTOBER 27 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	108.93	+5.0	94.42	103.63	3.83	103.70	90.65	98.39	180.81	99.92	90.94
Austria (16)	94.19	-0.3	81.64	85.71	2.40	94.48	82.59	86.81	102.87	85.53	94.16
Belgium (48)	101.75	-4.6	88.19	92.09	5.10	106.62	93.20	97.54	134.89	96.29	89.06
Canada (129)	98.15	-1.2	85.07	93.71	3.17	99.37	86.86	94.87	141.78	98.15	97.79
Denmark (38)	107.11	-2.1	92.83	98.11	3.00	109.44	95.67	100.77	124.83	98.18	96.31
France (121)	79.10	-8.2	68.56	72.90	3.77	86.17	75.33	79.85	121.82	79.10	93.18
West Germany (93)	79.93	-4.7	69.28	72.84	2.59	83.91	73.35	76.93	104.93	79.93	90.39
Hong Kong (46)	91.75	-0.6	79.52	91.95	5.29	92.34	80.72	92.57	158.68	89.59	91.28
Ireland (14)	106.30	-9.7	92.14	98.51	4.54	117.67	102.86	109.69	160.22	99.50	82.96
Italy (95)	79.84	-1.8	69.20	75.64	2.51	81.27	71.05	77.39	112.11	79.84	100.13
Japan (458)	131.12	+0.8	113.65	115.41	0.58	130.05	113.69	116.40	161.28	100.00	86.71
Malaysia (36)	105.99	-8.2	91.86	102.69	3.55	115.50	100.97	112.11	193.64	98.24	104.80
Mexico (14)	223.38	-10.0	193.61	400.54	0.75	248.28	217.04	446.41	422.59	99.72	82.71
Netherland (37)	94.77	-4.5	82.14	85.42	5.23	99.28	86.79	89.95	131.41	94.77	91.22
New Zealand (23)	90.77	+0.4	78.68	80.80	3.83	90.44	79.06	77.89	138.99	83.93	83.85
Norway (24)	123.37	-4.3	106.93	109.13	2.50	128.94	112.71	114.41	185.01	100.00	101.50
Singapore (27)	91.80	-7.2	79.57	87.80	2.72	98.97	86.51	94.75	174.28	91.80	104.43
South Africa (61)	137.02	+1.9	118.76	106.05	3.99	134.46	117.54	103.16	198.09	100.00	93.07
Spain (43)	127.70	-3.0	110.68	110.96	3.63	131.65	115.08	114.85	168.81	100.00	87.38
Sweden (34)	105.22	-5.0	91.20	97.16	2.35	110.77	96.83	102.70	136.64	90.85	99.30
Switzerland (53)	80.90	-4.6	70.12	72.43	2.28	84.78	74.11	76.43	111.11	80.90	91.62
United Kingdom (333)	116.25	-1.7	100.76	100.76	4.47	118.29	103.41	103.41	162.87	99.65	90.95
USA (583)	95.18	+0.2	82.50	95.18	3.88	94.99	83.04	94.99	137.42	92.83	100.37
Europe (949)	97.63	-3.3	84.62	87.05	3.80	101.01	88.30	90.70	130.02	97.63	92.07
Pacific Basin (680)	128.75	+0.9	111.59	114.04	0.80	127.62	111.56	114.80	158.77	100.00	87.05
Euro-Pacific (1629)	116.34	-0.6	100.83	103.27	1.81	117.02	102.29	105.19	143.65	100.00	89.04
North America (712)	95.34	+0.1	82.63	95.12	3.84	95.23	83.24	95.01	137.55	93.20	100.23
Europe Ex. UK (616)	86.08	-4.7	74.61	78.59	3.25	90.29	78.93	82.92	111.97	86.08	93.22
Pacific Ex. Japan (222)	100.13	+1.9	86.79	96.44	4.22	98.29	85.92	94.30	164.03	98.29	91.21
World Ex. US (1833)	115.98	-0.6	100.53	103.17	1.88	116.67	101.98	105.03	143.38	100.00	89.39
World Ex. UK (2083)	107.12	-0.2	92.84	100.40	2.36	107.29	93.79	101.36	138.82	100.00	93.93
World Ex. So. Af. (2355)	107.73	-0.3	93.37	100.33	2.55	108.09	94.49	101.48	139.47	100.00	93.66
World Ex. Japan (1958)	96.81	-1.0	83.91	92.76	3.84	97.84	85.53	93.95	134.22	96.44	97.00
The World Index (2416)	107.92	-0.3	93.54	100.40	2.56	108.26	94.64	101.52	139.73	100.00	93.66

Base values: Dec 31, 1986 = 100

New York market closed at 14.00hrs. local time October 27 and 28.

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	473	19.50B	—	—	—	—	$472
GOLD C	$480	243	8.50	20	26.50	—	—	"
GOLD C	$500	336	5	163	15.50B	26	27.50	"
GOLD C	$520	329	2.10	185	11.50	—	—	"
GOLD P	$420	12	1.50	45	5.50	—	—	"
GOLD P	$440	—	—	50	9.50	—	—	"
GOLD P	$460	291	5.50	17	16	—	—	"
GOLD P	$480	25	19	20	21.50	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
S/Fl C	Fl.195	46	2.80	1150	4.30A	—	—	Fl.194.35
S/Fl C	Fl.205	32	0.60	1310	0.70	100	1.60B	"
S/Fl C	Fl.210	14	0.40	81	0.35	—	—	"
S/Fl C	Fl.220	—	—	45	0.30	—	—	"
S/Fl P	Fl.190	85	2.30	476	3.10	51	4	"
S/Fl P	Fl.195	2196	3.60	253	5.10B	58	6.30	"
S/Fl P	Fl.200	107	6.50B	230	7.500	11	8.50B	"
S/Fl P	Fl.205	85	11.80	105	12.50	—	—	"
S/Fl P	Fl.210	42	16.40	48	16.30B	—	—	"
S/Fl P	Fl.235	—	—	60	40.80B	—	—	"
		Mar. 88		June 88		Sept. 88		
S/Fl C	Fl.195	—	—	20	6.50	—	—	Fl.194.35
S/Fl C	Fl.205	88	2.20	23	3.50	—	—	"
S/Fl C	Fl.210	31	1.50	—	—	—	—	"
S/Fl P	Fl.190	72	6	24	8	200	7.80	"
S/Fl P	Fl.200	13	10.50B	—	—	—	—	"
S/Fl P	Fl.205	101	14	—	—	120	16.50	"
		Jan. 88		Apr. 88		Jul. 88		
AEGON C	Fl.60	45	6	3	7.30	7	8.20	Fl.58.50
AEGON P	Fl.90	—	—	26	32.50	—	—	"
AHOLD C	Fl.70	30	4.50	—	—	—	—	Fl.65
AKZO P	Fl.130	469	22.50A	22	24	25	28	Fl.113
AMEV C	Fl.55	13	1	56	2.50	—	—	Fl.42.90
AMEV P	Fl.55	66	12.50	—	—	61	14	"
AMRO C	Fl.65	128	2.70	6	4.80	2	5	Fl.58.50
AMRO P	Fl.60	81	4.50	—	—	—	—	"
ELSEVIER C	Fl.65	413	0.40	20	1.50	—	—	Fl.39.60
ELSEVIER P	Fl.55	20	16.50	86	17.50	7	17.50	"
GIST-BROC. C	Fl.50	42	0.80	8	1.80	—	—	Fl.34.40
GIST-BROC. P	Fl.40	264	7	4	8	25	8.50	"
HEINEKEN C	Fl.150	108	5.50	—	—	—	—	Fl.128
HEINEKEN P	Fl.120	97	6.50	2	11	—	—	"
HOOGOVENS C	Fl.45	148	1	3	2.40	10	3	Fl.33.50
HOOGOVENS P	Fl.30	167	2.30	2	3	—	—	"
KLM C	Fl.45	419	1.40	58	2.30	4	3.50	Fl.34
KLM P	Fl.30	171	2.80	—	—	—	—	"
NEDLLOYD C	Fl.170	10	4.30	49	7.50	—	—	Fl.130
NEDLLOYD P	Fl.150	66	23.50	1	27	—	—	"
NAT NED C	Fl.60	109	2.10	57	3.50	6	3.40	Fl.49.30
NAT NED P	Fl.65	221	18	—	—	100	18.50	"
PHILIPS C	Fl.40	671	2.30A	187	3.20	68	4	Fl.34.20
PHILIPS P	Fl.35	502	4	105	5.20	312	6	"
ROYAL DUTCH C	Fl.230	546	6.80	58	12.60	—	—	Fl.207.50
ROYAL DUTCH P	Fl.200	340	11.50	31	14.50	4	39	"
ROBECO C	Fl.80	125	9.50	—	—	—	—	Fl.81.80
ROBECO P	Fl.90	365	12.50	—	—	—	—	"
UNILEVER C	Fl.120	132	6.30	381	9.50	20	12.50	Fl.106
UNILEVER P	Fl.136	541	33.50	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 59,753

A=Ask B=Bid C=Call P=Put

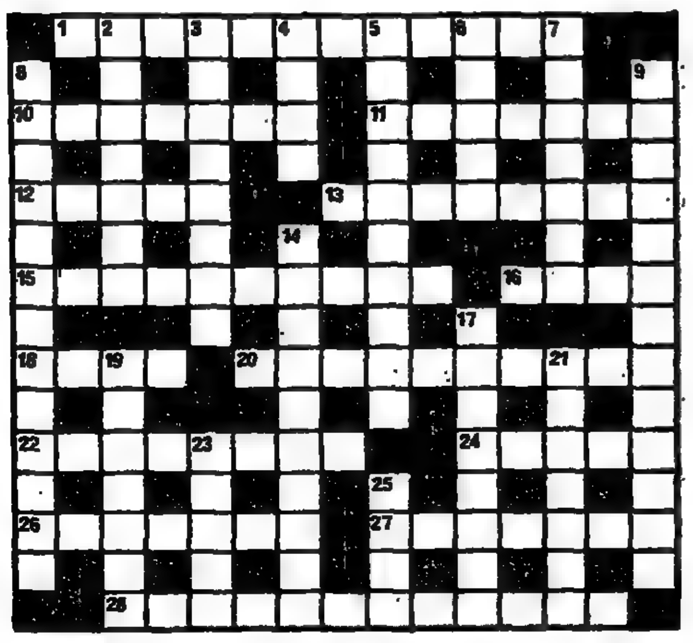
BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	9½	Nat Bk. of Kuwait	9½
Adam & Company	9½	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	9½	Northern Bank Ltd	9½
Allied Dunbar & Co	9½	Clydesdale Bank	9½	Norwich Gen. Trust	9½
Allied Irish Bank	9½	Comm. Bk. N. East	9½	PK Finans. Intl (UK)	10
American Exp. Bk	9½	Consolidated Cred	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank	* 9½	R. Raphael & Sons	9½
Henry Ansbacher	10	Cyprus Popular Bk	9½	Roxburghe Guarantee	10½
ANZ Banking Group	9½	Duncan Lawrie	9½	Royal Bk of Scotland	9½
Associates Cap Corp	10	Equatorial Tst Corp plc	10	Royal Trust Bank	9½
Authority & Co Ltd	9½	Exeter Trust Ltd	10	Smith Williams Secs	9½
Banco de Bilbao	9½	Financial & Gen. Sec	9½	Standard Chartered	9½
Bank Hapoalim	9½	First Nat. Fin. Corp	11	TSB	9½
Bank Leumi (UK)	9½	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9½	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	9½	Robert Fraser & Ptrs	10½	United Mizrahi Bank	9½
Bank of Ireland	9½	Girobank	9½	Unity Trust PLC	9½
Bank of India	9½	Grindlays Bank	9½	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	9½	Westpac Bank Corp	9½
Banque Belge Ltd	9½	HFC Trust & Savings	9½	Whiteaway Laidlaw	10
Barclays Bank	9½	● Hambros Bank	9½	Yorkshire Bank	9½
Beneficial Tst Ltd	9½	Heritable & Gen. Tst	9½		
Beneficial Trust Ltd	11	● Hill Samuel	§ 9½		
Berliner Bank AG	9½	C. Hoare & Co	9½		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
● Brown Shipley	9½	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
CL Bank Nederland	9½	Midland Bank	9½		
Central Capital	9½	● Morgan Grenfell	9½		
Cater Ltd	9½	Mt Credit Corp Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sureside 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.49%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No 6,469

CINEPHILE



ACROSS

1 Don't kill the enemy, patient man: it can be done by moonlight (5-4,3)
10 Watering place, otherwise than dry? (7)
11 Old Scots county family by Antarctic Sea (7)
12 Object of putting oxygen in beer? (5)
13 Boy takes in magician to get things moving (6,2)
15 Lofty sounds, perhaps, make craniums go out of order (5,5)
16 Spanner needed for car chassis (4)
18,20 All of thirty feet down, as Shakespeare said, could be Alf (fifth volume) (4,6,4)
22 Flourishes with cooler people in taxis (8)
24 Fixer of the attention, maybe (5)
26 Girl on the moor? Put her under the grill? (7)
27 Strong point: Parisian's good about sparkling wine (7)
28 Digger goes to Western Australia in change from Vichy (7,5)

DOWN

2 See 8 down
3 Gas cooker without oven calls for cook's criticism (8)
4 Repetitive archiepiscopal dress (4)
5 That little bit extra for a king sheep in power (10)
6 Girl's name for article in aircraft (5)
7 Soup for Queen's relation (7)
8,2,9 Maybe 14th and 80th food's piping: consumer must be judge (3,5,2,3,7,2,2,3,6)
14 Corollary of divine forgiveness may cause accident (5,5)
17 Rambo is a bad thing for spirits to feed on? (8)
19 Stretcher of the law? (4,3)
21 List of goods fit to utter? (7)
23 Pale like a female (5)
25 Early victim of a belly dancer (4)

Solution to Puzzle No 6,468

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STAMEN PARLANCE
H N X  D O O L
OPINES BARNACLE
O M T A M D E V
TRAVERSE COURSE
I T R S M N A N
NEED CABINET
G D R U S R A R
  REALISE ACHE
G S S T A M C C
AWAITS PLEASURE
R M O K S N R N
REPORTED INFACT
E L E E  E T L
TREADING GREEDY
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

Quilter Management Co Ltd
31-45 Gresham Street, London EC2

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent

Rushbury Fund Managers

N.M. Rothschild Fund Mgmt

Standard Life Trust Mngt. Ltd
3 George St, Edinburgh

Stewart Ivory Unit Trust Mgrs Ltd
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Do Accum	279.9			—
Guaranteed Inc.	159.8			—
Do Accum	197.6			—
International Inc.	251.6			—
Do Accum	436.5			—
Index-Lin Gilt Inc.	130.8			—
Do Accum	161.7			—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	329.0		+1.3	—
Property Pens.	448.4		+2.1	—
Equity	158.9		-3.5	—
Equity Pens.	665.4		-21.2	—
Money Market	309.1		+3.1	—
Money Mkt. Pens.	558.6		+5.4	—
Deposit	241.0		+0.1	—
Deposit Pens.	387.3		+0.1	—
Managed	252.6		-5.3	—
Managed Pens.	467.7		-10.8	—
Intl. Equity	262.5		-5.7	—
Do. Pens.	409.2		-9.3	—
Intl. Managed	248.1		-6.1	—
Do. Pens.	353.9		-9.4	—
North American	100.5		-0.9	—
Do. Pens.	112.2		-1.1	—
Far East	204.0		-1.8	—
Do. Pens.	296.4		-2.6	—
Intnl. Currency	162.0		-0.1	—
Do. Pens.	213.9		+0.0	—
Index Linked	124.6		+1.0	—
S & C Managed Fd.	109.9		-1.7	—
S & C Pens Mngd Fd	86.2		-1.4	—
Bell Chambers	109.3		-2.2	—
Loran & Loran	120.7		+0.0	—
Milton Mngd Fnd	157.1		-1.1	—
Trustlink Life Funds				
Per Worldwide Rec.	121.3		-3.1	—
Per Far East Growth	148.5		-0.1	—
Per Intl Growth	120.7		-1.2	—
Per Income	132.6		-4.3	—
Per Emerging Co's	107.0		-2.1	—
Per American Growth	100.5		+0.5	—
Per European Growth	99.5		-5.4	—
Fra American & Gen	74.7		-1.8	—
Fra Capital	151.6		-3.9	—
Fra Income	156.8		-3.8	—
Fra Intl Growth	91.7		-1.6	—
Fra Japan & Gen	145.1		-4.5	—
Fra Recovery	145.0		-3.0	—
Fra Convertible & Gilt	128.0		-1.6	—
Fra European	109.9		-3.4	—
GAR American	84.8		+4.2	—
GAR European	122.0		-6.2	—
GAR Far Eastern	138.1		+0.1	—
GAR British	132.4		-4.5	—
GAR Global	124.1		-1.6	—
GAR Special Situations	131.8		-6.5	—
GAR Smaller Co's	173.1		-6.3	—
GAR Australian	107.8		-0.2	—
HEN Managed	139.6		-2.9	—
HEN UK Growth	147.9		-4.1	—
HEN UK Income	162.3		-3.5	—
HEN American	93.1		-0.6	—
HEN Far East	150.6		-3.4	—
HEN European	142.3		-3.9	—
HEN Prime Res Prop	98.7		-0.5	—
TSB American	98.3		+2.6	—
TSB General	137.5		-4.4	—
TSB Managed	130.3		-2.5	—
TSB Pacific	137.2		-2.4	—
TSB Selected Opps	140.0		-3.9	—
FID American	80.0		+1.3	—
FID Japan	106.9		-0.1	—
FID European	116.9		-6.0	—
FID UK	112.7		-7.8	—
FID Pacific	98.9		-5.6	—
FID Intl Managed	106.2		-4.9	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds				
Managed Fund	47.7	50.3	+0.1	—
Stock Market Mngd Fund	45.3	47.7	-0.1	—
Equity Fund	50.0	52.7	+0.6	—
International Fund	40.9	43.1	-0.8	—
European Fund	41.7	44.0	-1.2	—
North American Fund	35.5	37.4	-0.3	—
Pacific Fund	50.0	52.7	-1.9	—
Property Fund	53.2	56.0	+0.2	—
Fixed Interest Fund	50.9	53.6	+0.2	—
Index Linked Sec Fund	45.7	48.2	-0.1	—
Deposit Fund	51.8	54.6	—	—
NUAM Retirement Plans				
Mixed Fund	48.5	51.1	-1.0	—
UK Ordinary Share	53.7	56.6	-1.9	—
International Fund	40.8	43.0	-0.8	—
Property Fund	53.1	55.9	—	—
Fixed Interest Fund	52.6	55.4	+0.3	—
Index Linked Sec Fund	46.0	48.5	+0.2	—
Deposit Fund	54.0	56.9	+0.1	—
NUAM (MF)				
Managed Fund	648.0	682.2	+1.9	—
Equity Fund	1294.1	1362.3	+13.5	—
Property Fund	331.0	348.5	+1.5	—
Fixed Interest Fund	374.8	394.6	+1.2	—
Deposit Fund	211.7	222.9	+0.1	—
International Fund	106.3	111.9	-2.0	—
Index Linked Sec Fund	45.8	48.3	—	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvestor & Unit-Linked Plus				
Fixed Interest Fund	248.7	261.7	—	—
Index-Linked Sec Fund	127.0	133.6	—	—
Ordinary Share Fund	490.5	516.3	—	—
International Fund	117.5	123.6	—	—
Property Fund	164.2	172.8	—	—
Deposit Fund	168.8	177.6	—	—
Mixed Fund	310.3	326.6	—	—
Norwich Units Oct 15		1047.9		—

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101[illegible]	100[illegible]	Treas. 12pc 1987	100[illegible]	....	—	—
99[illegible]	97[illegible]	Treas. 7¼pc 1985-88‡‡	99[illegible]	+[illegible]	7.77	8.63
102[illegible]	99[illegible]	Exch 10½pc '88	100[illegible]	+[illegible]	10.42	8.95
102[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	+[illegible]	9.71	8.94
97[illegible]	93[illegible]	Transport 3pc '78-88	97[illegible]	+[illegible]	3.08	6.85
101[illegible]	98[illegible]	Treas. 9½pc '88	100[illegible]	−[illegible]	9.45	8.93
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	....	11.17	9.00
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	+[illegible]	9.44	9.05
94[illegible]	89[illegible]	Treas 3pc 1989	94[illegible]	−[illegible]	3.17	6.73
104[illegible]	99[illegible]	Treas 10½pc 1989	102[illegible]	+[illegible]	10.29	9.09
103[illegible]	98[illegible]	Exch 10pc 1989	101[illegible]	+[illegible]	9.86	9.10
105[illegible]	100[illegible]	Exch 11pc 1989	103[illegible]	+[illegible]	10.64	9.11
95[illegible]	89[illegible]	Treas 5pc 1986-89	94[illegible]	+[illegible]	5.28	7.96
108[illegible]	99[illegible]	Exch 10½pc Cv '89	103[illegible]	+[illegible]	9.82	7.88
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	107[illegible]	+[illegible]	12.06	9.00
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	103[illegible]	+[illegible]	10.60	9.07
110[illegible]	103[illegible]	Exch. 12½pc 1990	107[illegible]	+[illegible]	11.66	9.09
91[illegible]	86[illegible]	Treas. 3pc 1990	90[illegible]	+[illegible]	3.31	7.16
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	+[illegible]	8.41	9.05
105	97[illegible]	Treas. 10pc Cv 1990	102[illegible]	+[illegible]	9.80	9.17
89[illegible]	81[illegible]	Exch 2½pc 1990	89[illegible]	+[illegible]	2.83	6.76
110[illegible]	102[illegible]	Treas 11¾pc 1991	106[illegible]	+[illegible]	10.99	9.18
95[illegible]	87[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]	+[illegible]	6.28	8.66
89[illegible]	80[illegible]	Treas. 3pc 1991	87[illegible]	+[illegible]	3.45	7.26
110[illegible]	98[illegible]	Treas 10pc Cv '91 ‡‡	104[illegible]	+[illegible]	9.56	8.50
109[illegible]	101[illegible]	Exch. 11pc 1991	106	+[illegible]	10.38	9.17
96[illegible]	91[illegible]	Treas. 8pc 1992	96[illegible]	+[illegible]	[illegible]	[illegible]
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	112[illegible]	+[illegible]	11.38	9.23
106[illegible]	97[illegible]	Treas 10pc 1992	102[illegible]	+[illegible]	9.74	9.21
99[illegible]	90[illegible]	Treas. 8pc 1992 ‡‡	95[illegible]	+[illegible]	8.70	10.25
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	104[illegible]	+[illegible]	10.09	9.20
85[illegible]	79[illegible]	Treas. 3pc 1992	83[illegible]	+[illegible]	3.74	8.03
115[illegible]	105[illegible]	Exch. 12¼pc '92	111[illegible]	+[illegible]	10.99	9.22
121[illegible]	110[illegible]	Exch 13½pc 1992	116[illegible]	+[illegible]	11.61	9.26
		Five to Fifteen Years				
107[illegible]	97[illegible]	Treas 10pc 1993‡‡	103[illegible]	+[illegible]	9.69	9.23
118[illegible]	107[illegible]	Treas 12½pc 1993‡‡	113[illegible]	+[illegible]	10.99	9.52
95[illegible]	82[illegible]	Funding 6pc 1993‡‡	89[illegible]	+[illegible]	6.66	8.16
125[illegible]	113[illegible]	Treas 13¾pc 1993‡‡	119[illegible]	+[illegible]	11.47	9.38
129[illegible]	117[illegible]	Treas 14½pc 1994‡‡	123[illegible]	+[illegible]	11.68	9.35
124[illegible]	112[illegible]	Exch 13½pc 1994	119[illegible]	+[illegible]	11.32	9.46
107[illegible]	97[illegible]	Treas. 10pc Ln. 1994‡‡	103[illegible]	+[illegible]	9.70	9.35
120[illegible]	106[illegible]	Exch. 12½pc 1994	114[illegible]	+[illegible]	10.89	9.48
103[illegible]	92[illegible]	Treas 9pc 1994‡‡	99[illegible]	+[illegible]	9.07	9.14
118[illegible]	105[illegible]	Treas 12pc 1995	112[illegible]	+[illegible]	10.65	9.51
84[illegible]	76	Exch 3pc Gas 90-95	83[illegible]	+[illegible]	3.70	6.19

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	21	−	$1.16	—	3.3
18¼	8¾	Rockwell Intl. $1	10	−	66c	—	3.9
30	16¼	Sara Lee $1	21	−¼	$1.00	—	2.9
[illegible]	8	Saul (B. F.) $1	9	−	20c	—	1.2
27½	21¼	Southwestern Bell $1	21	−	h$2.32	—	6.6
22¼	11	Stacey Continental	11	−¼	80c	—	4.1
44	21	Sun Co. Inc. $1	28	−	$3.00	—	6.5
42¼	24	TRW Inc. $0.625	25¼	+¼	h$1.60	—	4.0
37	22	Tenneco $5	22	−1	$3.04	—	8.2
220	149½	Do. 10pcLn.Stk. 91-5	150xd		10%	—	14.7
29	16	Texaco $6.25	17xd	+	$3.00	—	10.7
74	43	Time Inc. $1	43xd	−1	$1.00	—	1.4
20	11	Tracor $0.33	17xd	−	40c	—	1.4
30¼	15	Transamerica $1	16xd	+	$1.84	—	6.8
14	1¼	Transworld Corp $5	624p	−28	20c	—	2.0
27	12	TRINOVA Corp.	12¼	−	h$1.00	—	5.0
24	12	USX $1	14	−	$1.20	—	5.3
19	10	Union Carbide $1	10	−	$1.50	—	8.5
37	19	Utd. Technologies	20xd	+	$1.40	—	4.2
38	26	US West	28	−1	$3.28	—	7.1
30½	17	Waste Management $1	19	+	—	—	—
31	13	Whirlpool $1.0	13¼	−	—	—	—
37	18½	Woolworth $3½	18½	−	$1.32	—	4.4

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	249p	ABM Gold Corp	249p	−11	—	—	—
26	10p	Abbot Energy Corp.	20p		—	—	—
18¼	506p	Amer. Barrick Res.	10	+	—	—	—
136p	32p	Amer. Dalecn	34		—	—	—
141p	8½p	American Lightwave	8½p	−½	—	—	—
122p	44p	Armeno	44p	−½	—	—	—
117	44	Augmitto Expln.	50	−6	—	—	—
19	11	Bk. Montreal	11	−	$2.00	—	8.0
10	568p	Bk. Nova Scot.	568p	−10	72c	—	5.8
20	15	BCE	15	−	$2.40	—	7.0
20	618p	Bow Valley	618p	−16	40c	—	3.0
20	11	Brascan	11	−	88c	—	3.6
609p	210p	Breakwater Res.	210p	−23	—	—	—
11	734p	Can.Imp.Bk. $2	734p		$1.08	—	6.8
14	850p	Can. Pacific	850p	−12	60c	—	3.2
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
41	11	Do. Warrants	12	...	—	—	—	—
106	90	Far East Res. 10p	90	...	—	—	—	—
110	30	Gardner (J.) 5p	76	...	R1.25	2.3	2.3	26.3
53	29	Horovitch Group 5p	31	-1	—	—	—	26.1
133	65	Leading Leisure 5p	73	...	0.9	3.2	1.7	21.1
95	68	Lyns Tech. 5p	82	+2	b—	—	—	9.4
180	115	Medirace 10p	123	-2	—	—	—	—
98	44	Ovoca Gold IR 2p	53	-2	—	—	—	—
82	17	Publishing Hldgs 5p	47xr	-1	—	—	—	28.3
128	95	Seacon Hldgs.	95	...	—	—	—	14.4
87	45	Theme Holdings	50	+2	1.0	1.9	2.7	26.8
210	140	UPL Group 10p	145	-5	L2.43	2.5	2.3	—
140	103	Ucan Group	103	-2	R4.6	2.5	6.2	(7.3)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ◆ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	83	...	Fin. 13% 97/02	£109¾	...
Craig & Rose £1	668	...	Arnotts	295	...
Finlay Pkg. 5p	89	-9	CPI Hldgs	75	...
Holt (Jos) 25p	£11½	...	Carroll Inds.	145	-10
IoM Stm. £1	253	-10	Dublin Gas	408	...
			Heiton (R. & H.)	140	...
IRISH			Heton Hldgs.	46	-9
Fund 11¾% 1988	£100⅝	...	Irish Ropes	180	-30
Nat. 9¾% 84/89	£98½	...	Smurfit	325	-15
			Unidare	300	...

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect.	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	38
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen.	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00am two business days earlier.

Cautious rally in equity sectors while Government securities continue to advance

UK MARKETS began to show signs yesterday of a recovery of the poise so badly shaken by the savage losses of the past week and a half. While the improvement in market indices was moderate by recent standards, it implied a relatively confident performance against the background of the fall in Tokyo overnight.

A number of UK brokerage houses suggested to clients that yields on UK equities are now attractive. Scrimgeour Vickers, a Citicorp firm, commented that the outlook for interest rates is "suddenly much better, but not permanently so". It warned, however, that the bond markets' responses to the tribulations of equity markets have been over-indulgent".

Hill Samuel Wood Mackenzie, in a review of the fixed interest sector, said the Gilt-edged market had performed "much better than we expected over the past week". Gilts, it said, have been helped both by the weakness of the dollar and weakness of the equity sector.

However, the firm warned that the rally in UK Government bonds may have gone far enough, and that the appetite for UK Gilts among the major investment institutions "has probably been satisfied for the moment".

It expects UK interest rates to reflect the domestic situation more fully in the future, but predicts that a consolidation period will develop as pressure on the US dollar continues.

Wood Mackenzie is cautious on the outlook for inflation, and doubts that it has been transformed substantially over a long term view. Real yields of around 4 per cent on Index-linked Gilts are "extremely high" it comments, especially when the UK economy is set to slow.

Investment demand was cautious yesterday, with many institutions waiting for the Government's decision on the £7.2bn sale of British Petroleum shares, which would, in the normal course of events, begin trading in the market at 2.30pm today. However, the City went home without a final decision from Mr Nigel Lawson, the UK Chancellor of the Exchequer.

Helping the equity market to move up were expectations that another reduction in UK bank base rates cannot be far away, although the Bank of England failed to give any signal to the London money markets yesterday.

The day started well, with the FT-SE Index quickly consolidating above the 1600 level despite the downtrend in Tokyo. At best, the index was 35 points up on the day, but the gain was cut by the close, when the FT-SE 100 was a net 23.6 up at 1682.

London was more impressed by New York's success in withstanding the bear slide, and foreign stocks were firm in the UK market. Domestic shares quickly gathered strength, led by the consumer issues which would benefit most quickly from lower UK interest rates.

"It was a very good day", was the considered comment from the trading desks. "There was a lot more optimism about", added Mr Bill Vincent, specialist in financial stocks at Salomon Bros.

Once again, Government bonds attracted good demand, which included interest from retail buyers as well as professional market traders. Yields on 20 year Government issues are still just over 9 per cent, which is regarded as very attractive in a market increasingly drawn towards the highest quality defensive investment instruments.

British Petroleum hovered around 262p, nearly 70p below the underwritten offer price, as the City awaited news. There was a good recovery in privatisation issues, with British Gas standing out well.

Despite the continued weakness in the US dollar, insurance stocks staged a recovery from their heavy losses. Banking shares, too, steadied as investors measured their quality as defensive stocks.

The market's more optimistic trend was challenged, however, by investors' caution towards the trading results from Imperial Chemical Industries, one of the equity sectors belwether stocks.

ICI revealed third-quarter profits some £10m in excess of market estimates but the company's cautious statement about the impact on trade of the current financial and foreign exchange turmoil which has yet to be assessed, together with the general uncertainty surrounding equities left the price lower on balance. ICI settled 23½ down at 989p, after 980p.

NatWest elicited a "buy" recommendation from securities house Wood Mackenzie, hard on the heels of similar stances recently taken by BZW and Kleinwort Grieveson.

Wood Mac says NatWest's relative strengths in the sector are not adequately reflected in its rating which is only slightly higher than those of its main competitors. It points to "attractive yields" in the sector - NatWest currently yields almost 5 per cent. Kleinworts prefers NatWest to Barclays "due to its lower Big Bang exposure".

Bass were in renewed demand on its defensive qualities and put on 20 further to 853p for a two-day gain of 46.

Wood Mackenzie's analysts point out that Bass is a company with minimal exposure to the US and suggest that it provides the ideal combination of superior managment with high quality domestic earnings.

Initial strong gains in the big four banks gave way to widespread nervousness and a general setback before a gradual return of confidence. Barclays moved up 10 to 473p and Midland 8 to 358p. But the steep falls in Australian, Tokyo and Hong Kong markets triggered a sharp decline in Standard Chartered - where Robert Holmes a Court has a near 15 per cent stake - which slumped 38 more to 450p, albeit in a painfully thin market.

Merchant banks showed Hill Samuel up 15 to 750p as hopes grew that TSB shareholders will approve the bid for the company. Morgan Grenfell edged up to 305p after the bank's reassuring comments about its commitment to its US operations. SG Warburg rose 9 to 354p.

Life assurances made good progress although turnover remained at minimal levels. Prudential spurted 45 to 823p as BZW and Phillips & Drew moved in to buy the shares.

In composites Royals jumped 13 to 393p following the announcement that Jomet - the nominee company through which John Spalvin's Adsteam has built up his stake in Royals - has recently increased its holding fron 5.8 per cent to 6.05 per cent. Guardian Royal Exchange added 30 to 870p as Wood Mackenzie followed Kleinwort in recommending a switch into the shares from Sun Alliance.

Leading Building descriptions took a distinct turn for the better. Redland, currently showing analysts around its latest US acquisitions, rallied strongly to close 27 higher at 391p. Rugby attracted fresh support at 196p, up 11, while Blue Circle picked up 12 at 3295p. BPB Industries met with renewed buying interest and rose 19 to 276p. Among Construction issues, Taylor Woodrow, a particularly dull market recently, improved 29 to 336p. AMEC, which announced contracts worth some £56m yesterday, were unchanged at 295p. J. Smart added a penny to 117p in reply to increased annual

The stores sector continued to draw strength from numerous buy recommendations based on the recent reduction in base rates and forecasts of another cut in the near future. Marks and Spencer,after a generally good Press response to the interim figures, moved up to 206p before easing back to close a fraction up on the day at 203p. Sears also made good progress following a buy recommendation from Phillips & Drew, and closed 4½ up at 131p. Woolworths attracted sustained buying interest and closed 23 higher at 315p,while Burton Group added a further 6 at 226p. Ratners, however, were held back by their US interests and eased a couple of pence to 252p, while Laura Ashley gave up 6 to 121p. A recent recommendation from Wood Mackenzie triggered support for Etam, 12 higher at 253p.

British Telecom, where County NatWest recently highlighted the company's defensive qualities, added 6 at 235p.

Leading Engineers joined in the rally, with Hawker closing 7 to the good at 414p and GKN 11 better at 271p. Rolls-Royce, a relatively quiet market, picked up 4 to 129p. Frederick Cooper, reflecting satisfactory preliminary figures firmed 5 to 153p, but Molins, a poor market since the dismissal of the the company's managing director, weakened afresh to close 9 lower at 200p. The revival in the Food sector was half-hearted and only involved a handful of stocks. Nevertheless, Tesco rallied strongly and closed 12 higher at 167p, while ASDA-MFI added 3 to 167p. United Biscuits picked up 3 at 260p and Dalgety improved 6 to 298p. Booker regained momentum and closed 16 higher at 341p. Hazlewood attracted support ahead of the results and rose 6 to 219p, while Freshbake gained 13 to 115p in reply to Press comment.

Internatioanl stocks staged a welcome rally. Initially, the recovery movement looked rather fragile, but encouraged by a good performance on Wall Street in the first couple of hours of trading, domestic issues recorded some useful gains at the close. Glaxo lead the way with a rise of ⅜ at £11⅛, while Beecham rallied to finish 15 dearer at 393p. Hanson Trust were a relatively lively market (some 10m shares shares changed hands) and settled 6 to the good at 130p. Wellcome regained 9 to 317p and Fisons 6 to 261p. Reuters, however, ran into fresh early selling and fell away to around 412p before recovering to close at 421p, still down 5 on the day. Elsewhere, English China Clays picked up 12 to 365p, but British Aerospace, still reflecting currency worries, eased afresh to close down 7 more at 368p. Rockware moved up 6 to 88p in belated response to the preliminary figures, while the good annual results left Arenson a similar amount dearer at 80p. De La Rue closed a shade better at 410p following the revelation that Mr Robert Maxwell has recently built up a stake in the company. Television issues staged a revival with Thames picking up 28 at 318p and TV-am rallying 38 to 292p. LWT improved 13 to 813p.

Suggestions that the current City office boom is nearing an end did little to reinforce sentiment in a recently depressed Property sector. Land Securities, firmer at one stage, eased back to close 3 off at 425p. MEPC gave up 8 at 395p and Peachey closed 5 off at 320p. British Land remained on offer at 213p, down 10 and Hammerson A shed 15 more to 453p. Wates City of London lost 20 at 134p and Daejan shed 40 to 875p.

The majority of Textile issue failed to join in the recovery movement. Courtaulds, although a much steadier market, settled a few pence lower at 326p after a half-hearted rally at one stage. Fresh losses of around 8 were recorded in Dawson, 222p, Allied, 343p, and J. Haggas, 163p.

Among Tobaccos, Bat Industries, still reflecting worries about the company's exposure in the US, finished only a shade dearer at 418p.

Another substantial turnover was seen in BP where over 24m shares went through the SEAQ system; BP shares rallied to 264p, before closing a net 5 higher at 259p on hopes that the partly-paid will put up a better showing than previously expected in the event of a Government go-ahead for the issue.

British Gas were up 8 at 145p on a turnover of over 18m shares. Elsewhere Calor Gas spurted 35 to 403p.

Traded option activity remained relatively buoyant with a total of 34,611 contracts transcated comprising 18,920 calls and 15,691 puts. The FTSE contract attracted 1,207 puts and only 516 calls, but Hansen Trust calls were again favoured with some 1,987 registered with only 999 puts recorded. BP attracted 1,471 calls and 2,027 puts but Marks and Spencer, following the results, produced 1,129 calls and only 219 puts.

FINANCIAL TIMES STOCK INDICES

	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.14	90.14	88.92	89.68	87.50	82.39	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.68	93.69	93.19	93.42	91.96	88.83	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1303.4	1288.5	1322.0	1307.1	1396.8	1279.1	1,926.2 (16/7)	1,288.5 (28/10)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	309.9	323.8	330.2	350.5	386.4	280.6	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.76	4.80	4.66	4.67	4.37	4.37				
Earnings Yld.%(full)	11.83	11.93	11.57	11.50	10.76	10.05				
P/E Ratio (net) (*)	10.34	10.26	10.57	10.66	11.40	12.20				
SEAQ Bargains (5 pm)	37,681	45,378	57,523	57,989	74,661	—				
Equity Turnover (£m)	—	1832.31	1843.51	1493.72	3021.66	921.30				
Equity Bargains	—	58,079	74,392	78,322	99,151	40,978				
Shares Traded (ml)	—	723.4	778.6	659.2	863.4	354.1				

S.E. ACTIVITY Indices	Oct. 29	Oct. 27
Gilt Edged Bargains	152.6	145.4
Equity Bargains	376.3	482.0
Equity Value	3703.6	3726.2
5-Day Average		
Gilt Edged Bargains	153.7	146.0
Equity Bargains	550.7	616.9
Equity Value	4398.3	4804.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1284.9	1296.3	1298.9	1299.0	1292.0	1295.2	1303.3	1296.1

Day's High 1311.5 Day's Low 1284.9 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=10.20.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1)

BRITISH FUNDS (1) Treasury 2pc 1988.

NEW LOWS (292)

AMERICANS (41), CANADIANS (19), BANKS (7), BREWERS (5), BUILDINGS (4), CHEMICALS (7), STORES (4), ELECTRICALS (14), ENGINEERING (5), FOODS (2), HOTELS (1), INDUSTRIALS (30), INSURANCE (3), LEISURE (2), MOTORS (2), NEWSPAPERS (3), PAPERS (4), PROPERTY (10), SHIPPING (1), TEXTILES (5), TRUSTS (72), OILS (10), MINES (29).

Traditional Options

● First dealings Oct 19 ● Last dealings Oct 31 ● Last declarations Jan 21 ● For Settlement Feb 8 ● For rate indications see end of London Share Service

Stocks to attract money for the call included Dixons, Attwoods, Greenwich Resources, Thames TV, Pilkington, Western Mining, Ultramar, Consolidated Gold Fields, Lonrho, Cable and Wireless, Reuters B, British Vita, Control Securities, Barclays Bank, Weir Group, TSB, York Trust, Polly Peck, GEC, Energy Capital, Amber Day, Eagle Trust, Smith and Nephew, William Cussing, Tarmac, SI Group, Burns Anderson, British Telecom, Sound Diffusion, Racal, Tranwood, Beecham, Bat Industries and Martin Ford.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,600	167	+3	[illegible]	[illegible]	[illegible]	[illegible]
Allied Lyons	3,400	339	+1	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Thursday October 29 1987

[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

NAME CHANGES: Robertson Research is now Robertson Group.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS Jly.	PUTS Jan.	PUTS Apr.	PUTS Jly.
Allied Lyons (*339)	320	40	45	52	24	32	37
	360	17	33	40	43	48	55
	390	10	25	28	67	72	80
Brit. Airways (*133)	140	27	37	45	25	33	35
	160	15	25	35	35	40	45
	180	9	17	25	55	55	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov.	CALLS Feb.	CALLS May	PUTS Nov.	PUTS Feb.	PUTS May
LASMO (*245)	220	42	—	—	17	—	—
	240	27	45	55	23	32	40
	260	20	33	42	32	43	53
Pilkington (*200)	200	25	40	50	22	30	35
	220	12	30	40	35	43	48
	240	8	20	30	45	55	60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 29. Total Contracts 34,611. Calls 18,920. Puts 15,691.

FT-SE Index Calls 516. Puts 1,207.

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

October 29	Price Sch %	+ or −
Creditanstalt	1,960	−40
Goesser	2,950	+50
Interunfall	11,380	−70
Jungbunzlauer	7,220	−380
Laenderbank	372	−7
Perlmooser	630	−22
Steyr-Daimler	110	−1
Veitscher Mag	680	−35

BELGIUM/LUXEMBOURG

October 29	Price Frs.	+ or −
B.B.L.	2,300	−100
Banque Gen. Bu. L.	14,150	−150
Bank Int. A	13,400	−100
Bekaert B	8,200	−800
Ciment CBR	4,600	−300
Cockerill	124	−6
Cobepa	6,210	−680
Delhaize	2,715	−300
EBES	4,060	−90
Fabrique Nat	960	+8
GB Inno BM	750	−16
GBL (Brux.L)	2,810	−140
Generale Bank	4,100	−400
Gevaert	6,400	+100
Hoboken	6,200	−60
Intercom	3,160	−90
Kredietbank	3,200	−300
Pan Holdings	12,000	−500
Petrofina	9,310	−490
Raffinerie Tirle	1,280	−116
Royale Belge	4,500	−360
Soc Gen Belge	2,155	−335
Sofina	9,400	−800
Solvay	9,980	−20
Stanwick Intl	450	—
Tractebel	5,980	−230
UCB	7,900	−50
Wagons Lits	4,000	+590

DENMARK

October 29	Price Kr %	+ or −
Baltica Hldgs	835.00	−50

GERMANY

October 29	Price Dm.	+ or −
AEG	233	−20
Allianz AG	1,080 xr	+20
BASF	259.2	−11.3
Bayer	272	−8.5
Bayer-Hypo	346	−5
Bayer-Verein	350.5	−10.5
BHF-Bank	391	−14
BMW	495	+5
Brown Boveri	280	−10
Commerzbank	232	−4
Cont'l Gummi	231	−10.5
Daimler-Benz	758	−37
Degussa	375	−15
D'sche Babcock	155	−6
Deutsche Bank	500	+3
Dresdner Bank	261.5	−8.5
Feldmuehle Nobel	249	−7
Henkel	483	−3
Hochtief	421	−39
Hoechst	249.3	−3.8
Hoesch Werke	99	−7.5
Holzmann (P)	310	−38
Horten	173	−19
Hussel	454	−2
Karstadt	422	+0.5
Kaufhof	407	+4
KHD	117	−8
Kloeckner Werke	129.9	−0.1
Linde	565	−20
Lufthansa	120	−13
MAN	138.2	−8.3
Mannesmann	134	−7.5
Mercedes Hld	625	−45
Metallgesell	265	−5
Muench Rueck	1,220	−135
Nixdorf	600	−46
Porsche	605	−5
Preussag	134	−5
Rhein West Elect	206	−3
Rosenthal	203	−7
Schering	447	+2
Siemens	463	−14
Thyssen	105.2	−5.3
Varta	270	+3
Veba	269	+5
V.E.W.	159	+1
Verein-West	365	−15
Volkswagen	260.5	−27.5

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

FINLAND

FRANCE

ITALY

NETHERLANDS

NORWAY

CANADA

TORONTO

Prices at 2.30pm October 29

MONTREAL

Closing prices October 29

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

	Oct 29	Oct 28	Oct 27	Oct 26	1987 High	1987 Low
	138.28*	138.31	138.51	127.86	187.99 (25/8)	127.86 (22/10)

RISES AND FALLS

	Oct 29	Oct 28	Oct 27
Issues traded	2,011	2,032	2,029
Rises	586	934	134
Falls	1,148	816	1,791
Unchanged	278	282	104

TORONTO

TORONTO	Oct 29	Oct 28	Oct 27	Oct 26	1987 High	1987 Low
Metals & Minls	2,184.1*	2,184.1	2,111.2	2,058.8	3,587.5 (5/10/87)	1,988.2 (2/1/85)
Composite	2,872.4*	2,837.8*	2,876.2	2,846.5	4,112.8 (13/8)	2,846.5 (26/10)
MONTREAL Portfolio	1,471.83*	1,432.88	1,453.48	1,435.94	2,224.77 (12/17)	1,436.94 (28/10)

* Indicates pre-close figure

	Oct 29	Oct 28	Oct 27	Oct 26	1987 High	1987 Low
SPAIN Madrid SE (30/12/85)	212.35	234.06	241.85	255.30	325.44 (6/10)	202.89 (8/5)
SWEDEN Jacobson & P. (31/12/56)	2300.9	2508.7	2645.3	2632.8	3550.4 (9/10)	2111.4 (28/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	510.9	515.0	543.0	526.9	729.7 (5/10)	510.9 (29/10)
WORLD M.S. Capital Intl. (1/1/70)	(u)	383.0	384.2	377.1	495.9 (27/8)	361.3 (2/1)

** Saturday October 24: Japan Nikkei 23201.22 . TSE 1894.97

Base values of all indices are 100 except Brussels SE − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia, All Ordinary and Metals − 500; NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
DPL	4,251,700	23⅛	− ⅝
AT&T	4,741,100	28½	+ 1
Philadel Electric	4,525,800	18½	− ⅛
General Electric	3,496,400	43⅞	+ ⅜
IBM	2,730,500	118¾	− ¼
American Express	2,695,100	22½	− 1⅛
Storage Tec	2,348,800	1⅛	− ⅛
Chase Manhattan	2,288,800	26⅝	− 1⅛
Dow Chemicals	2,171,200	66	+ 1⅞
Exxon	2,027,800	40¼	− 2¼

LONDON − Most Active Stocks
Thursday, October 29, 1987

	Stocks Traded	Closing Price	Change on Day
BP	23.6m	259	+ 5
Brit Gas	18.6m	145	+ 8
Hanson Tr.	11.0m	130	+ 6
Gen Elect	9.3m	172	− 1
TSB	8.5m	107	uch
Mrks & Spncr	7.0m	203	+ 1
Sears	6.8m	131	+ 4½
BAT	6.3m	418	+ 1
All. Lyons	5.4m	339	+ 1
ICI	5.4m	989	− 23½

We Regret That Some Figures Appeared Incorrectly Yesterday.

TOKYO − Most Active Stocks
Thursday, October 29, 1987

	Stocks Traded	Closing Prices	Change on Day
Kawasaki Stl	108.38m	335	+ 8
Nippon Stl	74.67m	442	uch
Nippon Kokan	36.87m	335	+ 5
Sumitomo Metal	23.27m	302	uch
Hitachi Ltd	19.61m	1,050	− 60
Showa Denko	15.60m	700	+ 17
Fujitsu	13.65m	1,050	− 80
Mitsubishi Heavy Inds	12.92m	610	− 5
Osaka Cement	12.52m	619	− 21
Toshiba	10.67m	635	− 25

North American quarterly results

BALLY MANUFACTURING
Casino hotels and leisure

	1987 $	1986 $
Third quarter		
Revenues	483.7m	346.0m
Op net income	20.99m	8.25m
Op net per sh.	0.59	0.28
Nine months		
Revenues	1.29bn	909.6m
Op net income	3.78m	23.81m
Op net per sh.	0.01	0.83

BORDEN
Food manufacturer

	1987 $	1986 $
Third quarter		
Revenues	1.68bn	1.27bn
Net income	79.0m	65.9m
Net per share	1.07	0.89
Nine months		
Revenues	4.71bn	3.64bn
Net income	185.7m	154.5m
Net per share	2.52	2.07

C-I-L
Chemicals

	1987 C$	1986 C$
Third quarter		
Revenues	313.0m	288.0m
Net income	11.0m	nil
Net per share	0.67	*0.05
Nine months		
Revenues	986.0m	1.0bn
Net income	32.0m	19.0m
Net per share	2.04	1.11

* Loss

CONSOLIDATED EDISON
Utility

	1987 $	1986 $
Third quarter		
Revenues	1.49bn	1.41bn
Net income	235.7m	213.7m
Net per share	1.96	1.71

ENSERCH
Diversified energy

	1987 $	1986 $
Third quarter		
Revenues	635.7m	665.5m
Net income	*622,000	*8.5m
Net per share	*0.07	*0.22

GENERAL ELECTRIC CANADA
Electrical goods

	1987 C$	1986 C$
Third quarter		
Revenues	362.6m	427.2m
Net income	10.7m	13.3m
Net per share	0.22	0.27
Nine months		
Revenues	1.13bn	1.13bn
Net income	32.9m	38.4m
Net per share	0.67	0.78

KEMPER
Property and insurance

	1987 $	1986 $
Third quarter		
Revenues	731.5m	655.3m
Op net income	45.79m	35.41m
Op net per sh.	0.74	0.58
Nine months		
Revenues	2.28bn	2.08bn
Op net income	155.23m	100.32m
Op net per sh.	2.50	1.71

LIZ CLAIBORNE
Clothing manufacturer

	1987 $	1986 $
Third quarter		
Revenues	303.9m	239.0m
Net income	35.5m	26.6m
Net per share	0.41	0.31
Nine months		
Revenues	814.9m	621.6m
Net income	92.0m	66.9m
Net per share	1.06	0.78

QUAKER STATE
Motor oil and lubricants

	1987 $	1986 $
Third quarter		
Revenues	202.9m	225.5m
Net income	6.42m	13.6m
Net per share	0.24	0.53

SEARS CANADA
Retailing

	1987 C$	1986 C$
Third quarter		
Revenues	952.1m	902.0m
Net income	7.12m	9.23m
Net per share	0.08	0.11

Nine months		
Revenues	2.67bn	2.62bn
Net income	22.5m	23.2m
Net per share	0.26	0.27

SHELL CANADA
Oil and gas

	1987 C$	1986 C$
Third quarter		
Revenues	1.23bn	1.10bn
Net income	94.0m	16.0m
Net per share	0.80	0.11
Nine months		
Revenues	3.56bn	3.70bn
Net income	261.0m	74.0m
Net per share	2.24	0.56

TORONTO SUN PUBLISHING
Publishing

	1987 C$	1986 C$
Third quarter		
Revenues	84.2m	80.6m
Net income	3.0m	2.80m
Net per share	0.15	0.14
Nine months		
Revenues	252.5m	245.1m
Net income	11.30m	9.80m
Net per share	0.56	0.49

TRADERS GROUP
Financial services

	1987 C$	1986 C$
Third quarter		
Revenues	220.7m	214.8m
Op net income	6.14m	2.33m
Op net per sh.	1.23	0.39
Nine months		
Revenues	628.3m	603.1m
Op net income	23.3m	16.1m
Op net per sh.	4.78	3.19

TRANSCANADA PIPELINES
Pipeline operator

	1987 C$	1986 C$
Third quarter		
Revenues	734.1m	864.8m
Net income	39.2m	42.9m
Net per share	0.24	0.26
Nine months		
Revenues	2.43bn	3.15bn
Net income	117.2m	136.1m
Net per share	0.70	0.98

TRIANGLE INDUSTRIES
Packaging products maker

	1987 $	1986 $
Third quarter		
Revenues	1.2bn	700.0m
Net income	45.4m	*5.54m
Net per share	1.59	*0.47
Nine months		
Revenues	3.35n	1.9bn
Net income	86.9m	15.0m
Net per share	2.98	0.79

* Loss

USAIR
Airline

	1987 $	1986 $
Third quarter		
Revenues	790.78m	466.14m
Net income	71.7m	40.85m
Net per share	1.66	1.36
Nine months		
Revenues	1.88bn	1.35bn
Net income	168.0m	66.3m
Net per share	4.82	2.28

WENDY'S INTERNATIONAL
Hamburger restaurants

	1987 $	1986 $
Third quarter		
Revenues	272.2m	293.5m
Net income	5.03m	*47.0m
Net per share	0.05	*0.49
Nine months		
Revenues	799.3m	868.5m
Net income	130,000	*6.77m
Net per share	nil	*0.07

* Loss

WHEELING-PITTSBURGH STEEL
Steel producer

	1987 $	1986 $
Third quarter		
Revenues	237.8m	228.7m
Net income	25.8m	19.2m
Net per share	4.60	3.33
Nine months		
Revenues	751.6m	693.7m
Net income	99.0m	*37.1m
Net per share	18.05	*8.52

* Loss

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES:		
Ex.10½pc 2005	£110²⁵⁄₃₂	+²⁵⁄₃₂
Ex.12pc2013-17	£127⁷⁄₃₂	+³¹⁄₃₂
BPB	276	+19
Barclays	473	+10
Bass	853	+20
Beecham	393	+15
Booker	341	+16
Brit Gas	145	+ 8
BP	259	+ 5
Burton	226	+ 6
Calor	403	+35
Etam	253	+12
Freshbke Fds	115	+13
Glaxo	£11⅛	+¹⁵⁄₃₂
GRE	870	+30
Prudential	823	+45
Redland	391	+27
Tylr Woodrw	336	+29
Tesco	167	+12
FALLS:		
ICI	989	−23½
Molins	200	− 9
Std. Chrtrd	450	−38

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	9¾	AAR	s .36	2.1	19	440	u17¾	15	17½	+2¾
[illegible]	[illegible]	AFG	s .26	.7	8	287	23⅞	22½	23⅞	+⅝
[illegible]	10½	AGS	s		12	1108	14¼	11⅛	13⅝	+2½
[illegible]	6¾	AMCA				2	7⅛	7⅛	7⅛	+⅛
[illegible]	3¼	AM	intl		36	2142	4⅛	3⅞	4	+½
[illegible]	23½	AMR			8	8887	34	30⅞	32½	+2
25	19	ANR	pf 2.12	11.		3	19⅝	19⅝	19⅝	+⅝
12¼	6⅞	ARX	s		7	328	7	6⅞	7	+⅛
73½	34⅞	ASA	2a	4.7		1074	43	41¼	43	−½
22⅞	9½	AVX			15	845	12⅛	10½	12⅛	+2
67	40	AbtLab	1	2.1	18	8982	48½	47⅛	48½	+1½
28	15⅝	Abitibi g				584	16¼	15⅝	16	+¼
16⅞	9	AcmeC	.40	4.1	10	172	9¾	9¼	9¾	+½
10½	6⅞	AcmeE	.32b	4.3	28	27	7½	7⅛	7½	+½
23⅞	16½	AdaEx	3.30e	19.		182	18	17	17¾	+½
19½	7¾	AdmMil	s .24	2.8	7	225	8½	7⅞	8½	+½
35	13⅞	AdvSys			16	486	25¼	23½	25	+2
24⅞	9½	AMD				6278	12⅝	10⅞	12⅝	+1½
56¾	30½	AMD	pf 3	8.8		716	34	31½	34	+3
11⅞	4¾	Adobe				606	5¼	4⅞	5¼	+¼
20½	15	Adob	pf 1.84	10.		8	17¾	17⅝	17⅝	−⅛
21⅞	17	Adob	pf 2.40	12.		9	19¼	19⅛	19¼	
15	6⅞	Advest	.12a	1.6	6	613	7½	7⅛	7⅜	+¼
68¼	46	AetnLf	2.76	5.4	7	5225	52	50½	50¾	−1
83½	30⅞	AlfPb	s .32	.6	8	2663	52	45¼	50½	+5
28⅞	15	Ahmans	.88	5.5	7	15242	16½	15⅞	16⅛	+½
5⅝	1¾	Aileen				254	2¼	2	2⅛	
53⅞	29	AirPrd	1	3.0	12	1683	34¼	31¼	33¾	+2¼

[illegible]

Continued on Page 49

N… COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
85	50	Xerox	3	5.7	11	7873	55⅛	50½	53	+2⅞
66¼	52½	Xerox pfs.45		10.		145	55⅞	53½	53⅞	+⅛
34½	19¾	XTRA	.64	2.8	19	130	25⅛	22¼	23	
28¾	19½	XTRA pf1.94		9.2		8	21	20⅛	21	+1
33⅞	15⅛	Yorkin			6	305	20	17⅞	19½	+1¾
7¼	2¼	Zapata				854	3¼	3	3	−⅛
37	14⅝	Zayre	.40	2.2	7	5758	18¾	16½	18⅛	+1¼
15⅛	9¾	Zemex	.40	4.2	5	55	10	d	9⅝	9⅝
33⅝	10	ZenithE				2081	13¼	12¼	12¾	+½
13½	3⅛	ZenLab				2380	4⅛	3¾	3¾	−¼
26½	13½	ZenNtl	.80	5.2	9	108	15⅝	15⅛	15⅝	
20⅝	11⅛	Zero	.36	2.9	12	410	12½	11¾	12½	+⅝
30¾	15	Zurnin s.68		4.0	11	390	17	15	17	+1⅝
10⅞	7⅞	Zweig	.85e	7.6		1189	8½	8¼	8½	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Steadier nerves provide sounder foothold for Dow

WALL STREET

A CLEAR improvement in market *sentiment helped Wall Street stocks* stage their best performance in two weeks despite investor worries about the shaky dollar, *writes Roderick Oram in New York.*

Bonds also managed to post modest gains after the dollar stabilised temporarily with the help of massive central bank intervention.

The Dow Jones industrial average closed up 91.51 points at 1,938.33, its third best gain ever in points terms, after enjoying almost continuous gains from a firm opening.

Broader market indices participated strongly in the rally after lagging well behind the blue chips in recent days. The Standard & Poor's 500 closed up 11.48 at 244.76, the New York and American stock exchange composites added 5.97 to 136.26 and 7.71 to 241.72 and the over-the-counter index rose 15.18 to 307.06.

New York Stock Exchange volume was 259.3, somewhat lighter that earlier this week but still heavy by normal standards. Exchanges again closed two hours early. Advancing issues outnumbered those declining by a ratio of almost four-to-one.

Traders said institutional buying was strong for the first time since the market began to fall apart two weeks ago.

High technology stocks remained at the forefront of the rally, although IBM, up $2¼ to $120¼, lagged behind other computer stocks. Digital Equipment rose $9¼ to $134¾, Control Data added $2½ to $23¾, *Data General was up $⅝ to* $20¾, Apple jumped $6 to $39½ and Hewlett Packard added $3 to $48.

Charles Schwab dropped $1 to $6½. The discount brokerage house said it had suffered a $22m loss on a customer's unsecured options. Although margin calls have slowed considerably, easing the selling pressure on investors, Wall Street was beginning to wonder how great will be its liabilities from retail customers.

Apart from Schwab, other brokerage houses with heavy retail exposure were generally higher yesterday. E. F. Hutton added $1 to $16, Merrill Lynch was up $½ to $24¾ and PaineWebber Group rose $1⅛ to $15⅛. Companies with retail broking subsidiaries also held their ground. Sears, Roebuck added $⅝ to $34⅞ and Primerica rose $⅞ to $27¼. L. F. Rothschild rose $1⅛ to $5¾ on reports that the Wall Street firm, hard hit by trading losses, was seeking an equity injection or a takeover offer.

In the takeover arena, USG soared $9½ to $37½ after a group of investors offered to pay $50 a share for the building materials group.

Singer rocketed up $9¾ to $42 after a group of investors led by Mr Paul Bilzerian declared a 9.9 per cent stake in it.

TWA rose $2 to $18¾. Mr Carl Icahn, its chairman, has increased his ownership to 74.9 per cent.

Piedmont Aviation soared $6¼ to $61¾ on hopes that Washington will approve soon the airline's takeover by USAir, up $1⅛ to $30¼, if the proposals were modified to settle anti-trust issues. USAir is offering $69 and $2.23 a share in backdated interest for the Piedmont shares.

News Corp. fell $1½ to $14½ on speculation that Mr Rupert Murdoch, its chairman, has decided to sell the New York Post to comply with Washington rules that a company cannot own a newspaper and a television station in the same country.

Credit markets held up well to the weakness of the dollar although a barrage of statements from senior government officials in leading industrialised countries made for sharp fluctuations in the foreign exchange markets and choppy trading in bonds.

With the help of rallies in bond markets overnight abroad, US bonds opened higher in New York. By late afternoon the price of the Treasury's 8.75 per cent benchmark long bond was up 1⁹⁄₁₆ of a point at 98¹⁄₁₆ yielding 9.06 per cent.

The Federal Reserve did four-day system repurchases to add reserves to the banking system. The fact it acted at its usual time in late morning suggested the central bank was relatively happy with the Fed Funds rate trading at around 6¾ per cent. Earlier this week it had been more aggressive in its actions when the rate was over 7 per cent.

CANADA

TORONTO stocks closed higher in *mixed trading as returning investor* confidence led to bargain-hunting among issues battered in the recent sell-off.

The composite index, which had fallen 12 points in early trading, rose 34.50 to 2872.40 as declines led advances by 608 to 410 on volume of 31.8m shares.

Mines and metals posted a broad advance. Noranda rose C$½ to C$20¾, Alcan Aluminium advanced C$1⅛ to C$31 and Inco climbed C$⅝ to C$18⅝.

In industrials Canada Development rose C$⅝ to C$9⅝ and Canadian Imperial Bank advanced C$¼ to C$16⅞.

In Montreal, the market portfolio index rose 27.53 to 1470.73 on volume of 8.4m shares. In Vancouver, the index fell 33.99 to 1124.07 on volume of 18.1m shares.

SOUTH AFRICA

TRADING HOURS at the Johannesburg Stock Exchange were staggered and reduced because of continuing computer problems caused by heavy volume.

In three one-hour sessions, prices dropped across the board with gold shares hardest hit in the slide. The all-gold index dropped 99 to 1,808.

Heavyweights slumped after making a partial recovery the previous day. Western Deep dropped R15 to R149, Randfontein and South Vaal both lost R10 to R340 and R175 respectively, while Freegold shed R2 to R45.50.

In platinums, Lydenburg was R1 lower at R36 and Impala dropped R1 to R36. Other mining stocks were lower.

De Beers diamond issue fell R2.25 to R33.25.

Industrials, which led Wednesday's modest rally, were 30 points down at 1,733.

London anticipates an upswing

BY TERRY BYLAND IN LONDON

LONDON anticipated a steadier trend in the global securities markets yesterday when Japanese and US equities quoted here began to rally from their recent losses even while their domestic markets were still closed.

Japanese stocks did well, led by a strong performance from the market for Japanese share warrants.

"It may be a little early to start looking for the light at the end of the tunnel, but at least it looks a little brighter," said a trader in Japanese securities at a large US trading house.

US stocks also traded higher in London, and there was "more stability" in European equities, said Mr Russell Erreira at Salomon Brothers, a major US trader in Continental stocks. New York buying also led strong recoveries in key European issues.

UK shares were in better form, although buyers were restrained by the nail-biting wait for a decision on the £7.2bn ($12.2bn) British Petroleum issue by Mr Nigel Lawson, the UK Chancellor of the Exchequer.

London's specialists in Japanese shares *refused to be un*settled by the overnight fall in Tokyo, which they said was substantially less than they had feared.

"In London, we tend to anticipate Tokyo trends," said one. However, he agreed with dealers in other non-UK stocks that "a further fall in the dollar won't help us."

Market indices were held back by the uncertainty over the BP issue. Concern over the prospective loss on the BP underwriting, which is well spread among the major London and US securities houses, prompted a sell-off in equi*ties earlier this week.*

With the City of London on tenterhooks yesterday afternoon for a statement from Mr Lawson, share gains were trimmed sharply. The FT-SE 100 Index, 35 points up at first, ended only 23.6 higher on the day at 1,682. An uncertain start on Wall Street later helped cool London's ardour.

Government bonds gained a further 1 point, however, signalling both expectations that the Government will receive its BP cash and that UK bank base rates will be cut very soon. Several leading stockbrokers began to advise clients that investors should "take a longer perspective and buy now."

UK equities on the FT Ordinaries index are now offering *yields of 4.8 per cent overall,* against 9.2 per cent on 20-year British Government bonds. Yields on some second rank issues are even higher.

EUROPE

Wider calm eludes German stocks

ALTHOUGH selling continued *in Brussels and Frankfurt* - where the dollar's weakness hurt exporters' stocks - other major European bourses recovered some poise yesterday, *writes Our Markets Staff.*

FRANKFURT skidded down 4.7 per cent as retail investors *sold heavily on a further sharp* dip in the dollar. Both the Commerzbank index, down 69.80 to 1,427, and the Boersen-Zeitung index, down 10.16 to 296.94, reached troughs for the year.

Car makers again suffered most acutely, with Daimler tum*bling another DM37 to DM758,* leaving it 38 per cent off its best price this year. VW plummetted DM27.50, or 9.5 per cent, to DM260.50, hurt particularly by news that state prosecutors are investigating possible further illegal currency transactions. *BMW, though, rebounded DM5* from sharp recent falls to DM495.

Chemicals lost more ground, BASF shedding DM11.30 to DM259.20, Bayer DM8.50 to DM272, and Hoechst DM3.60 to DM249.30. Siemens led electri*cals down with a DM14 fall to* DM463 and AEG followed, losing DM20 to DM233.

Other casualties included sportswear maker Puma, which crashed DM90 to DM200, a 31 per cent fall, Lufthansa, down DM13 to DM120, and computer stock *Nixdorf, off DM46 to* DM600.

Deutsche Bank, however, ran against the trend with a DM3 rise to DM500 in an otherwise easier sector. Dresdner fell an*other DM8.50 to DM261.50* and Commerzbank lost Dm4 to DM232.

Engineers gave way to selling. Insurer Allianz, though, clawed back DM20 of Wednesday's 8.1 per cent fall to DM1,080.

ZURICH held its ground in a *jittery and heavy session,* with prices rising slightly with the dollar before the close. The all-share index climbed 0.9 to 848.6.

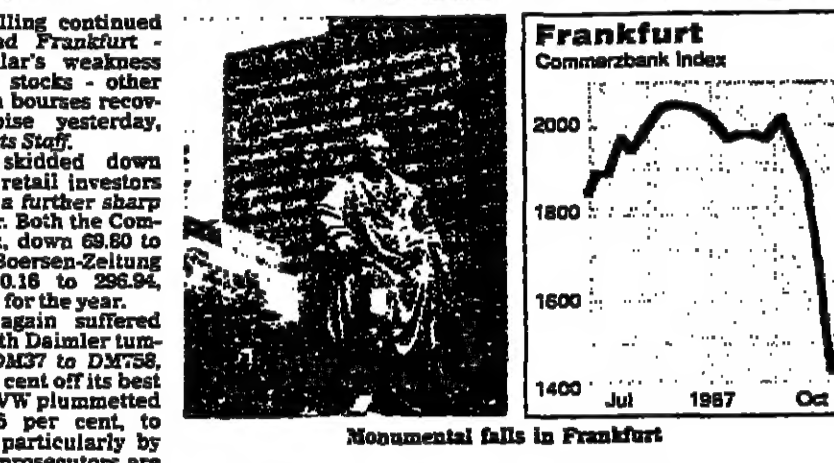
Blue chips found selective support against a weaker backdrop. Union Bank put on SFr30 to SFr3,850 and Credit Suisse held at SFr2,625.

Insurers were mixed, with Swiss Re losing SFr200 to SFr11,800, Winterthur off SFr25 to SFr4,775, but Zurich rising SFr50 to SFr5,100. Adia, however, *improved SFr500, or 10 per* cent, to SFr6,400, while Ascom marked up SFr200 to SFr5,200.

Engineering issues also rallied, paced by a SFr200 rise for Brown Boveri to SFr2,300. Alusuisse was steady at SFr560.

BRUSSELS dropped by more than 3 per cent under the weight of strong foreign selling, which in turn unsettled local investors. The cash index fell 253.13 to 3,739.24.

Holdings crumbled as former market leaders again bore the brunt of selling. Reserve slumped BFr335 to BFr2,155, Sofina BFr750 to SFr9,450 and Cobepa BFr250 to BFr4,650.



Monumental falls in Frankfurt

Petrofina was off BFr490 at BFr9,310, while in chemicals Solvay dipped BFr20 to BFr9,980, UCB lost BFr50 to BFr7,900, but Gevaert picked up BFr100 to BFr6,400.

Insurer AG continued to suffer despite its better earnings figures, losing BFr360 to BFr5,040. Banks declined.

AMSTERDAM made modest progress despite a patchy performance from international issues. The all-share index edged 0.8 higher at 69.5.

Large capitalisation quality stocks moved narrowly, with *Akzo down Fl 1 at Fl 113 and* KLM 80 cents cheaper at Fl 34. Philips was off Fl 1.40 at Fl 34.20 prior to today's third quarter results, which are expected to improve. Royal Dutch climbed 50 cents to *Fl 207.50.*

PARIS rebounded strongly after a *firm start,* aided by Wall Street's early strength and the dollar's slight comeback. Rising stocks outpaced falls by 2-to-1.

Thomson-CSF featured with a FFr120 gain to FFr820, while Lafarge-Coppee made up FFr125 to FFr1,160. Cie du Midi *added FFr95 to FFr885* and Navigation Mixte rebounded strongly with a FFr73 gain to FFr645.

OSLO plunged further as market confidence was upset by a pledge of opposition party support for the Labour Government's *1 per cent share turn*over tax. The all-share index fell 6.3 per cent by 18.40 to 289.83.

Madrid index trampled in stampede towards exit

A STAMPEDE of selling sent share prices in Madrid tumbling by a record margin as near panic set in after 13 consecutive days of falling prices, *writes David White in Madrid.*

The general share index shed a record 21.71 to 212.35, a loss of more than 9 per cent, as investors and traders scrambled to sell. Utilities, which displayed some resilience on Wednesday, joined the downward spiral which took the index down to just 4 points above its starting point for the year and 35 per cent below its peak of 328.36, reached barely three weeks ago.

Operators cited the withdrawal of foreign institutions and impending payment deadlines for credit operations as principle factors behind the latest slide.

The repercussions of the turmoil in world stockmarkets prompted the authorities to extend the limit on any one share's daily movement from 10 per cent to 20 per cent, *in a bid* to make the Madrid market more liquid. Barcelona, the country's second biggest exchange, is due to follow this example from today.

Only 64 shares were actually traded in Madrid yesterday, of which 48 fell. Drops in bank shares, the traditional backbone of the market, were as high as 10 per cent.

The price collapse has forced numerous companies to postpone share issues, most notably *the state-controlled pulp and* paper company Ence, in which the state was planning to float 39 per cent of its interest, and Telefonica, the semi-state telecommunications group, which was due to open subscriptions on November 7 in a 1-for-10 *rights issue totalling Pts 66.5bn* ($578m).

The Telefonica issue, for which no new date has been set, was priced at 160 per cent of par value against a price of 129 per cent yesterday, after a further drop of 14 points. This is just over *half the peak price of 253* per cent reached in early August.

Worry sharpens in Milan as decline gathers speed

AS THE Milan bourse follows the rest of the world's markets, Italy's boom town is suddenly in a funk, *writes Alan Friedman in Rome.*

In addition to settlements day yesterday, it was another session when the managers of Italy's home grown mutual funds - bracing themselves for heavy redemption demands from savers - were among the sellers.

Volume was not excessive. The fund managers were not heavy sellers and nor were the American institutional investors who called their Milan brokers to unload a few blue chip stocks such as Fiat, Generali and Montedison.

Nonetheless, the market closed 3.67 per cent lower, and the decline reached 5 per cent in after-hours trading. The Comit share index is 20.7 per cent lower than it was on "Black Monday" of October 19, and, worse still, the market is now 30 per cent down on the start of 1987.

Key Italian brokers were pointing out that Milan had already rationalised its share prices a great deal, largely in the past six months.

While Tokyo and Wall Street steamed ahead in recent months, Milan was lacklustre and generally flat and everyone lamented the fact that the boom times of 1985-86 were over.

Now the Italian market is falling nervously into line with the rest of the world, unusually for a bourse that until recently was an entity unto itself.

What is more, prices of several blue chips have been plunging through "psychological barriers."

For example, the Montedison share price was down by 5.7 per cent yesterday, below the L1,600 level, at L1,580. There is much speculation about whether the company's planned L1,000bn rights issue will be postponed or at least have its pricing altered.

Fiat fell 7.6 per cent to L8,872. *Generali, the most actively trad*ed share, fell by 3.9 per cent to L89,500.

Ascending yen forces Nikkei into steep fall

TOKYO

THE PRECIPITOUS decline of *the dollar in Tokyo* sent share prices into sharp retreat yesterday with export-led blue chips particularly hard hit, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues dived 543.64 to 22,033.89 on volume totalling 721m, *down from 860m the pre*vious day. Declines outstripped advances by 867 to 83, with 72 issues unchanged.

The few stocks to benefit from the yen's appreciation were some utility issues and large-capitals while the major losers *were high technologies, chemi*cals and financials.

In the afternoon, the dollar dropped further when central banks of major nations did not act to check the slide and it plummeted below Y138, triggering a sell-off of stocks.

High-tech electricals and precision instruments were high on the "for sale" list. Hitachi lost Y50 to Y1,050 and Fujitsu dropped Y80 to Y1,050 while Matsushita Electric Industrial was down Y80 at Y1,830 and NEC Y90 lower at Y1,730. Sony *rose Y10 at one stage on institu*tional buying, but it finished Y100 lower at Y3,850.

The turbulent foreign exchange market triggered small-lot selling of financials. Sumitomo Bank fell Y70 to Y3,080 and Sumitomo Trust and Banking *plummeted* Y150 to Y2,700 while Tokio Marine and Fire Insurance was off Y20 at Y1,830.

Against the downtrend, Tokyo Electric Power advanced Y200 to Y6,260. Kawasaki Steel, which topped the most active list with 109.38m shares traded, *gained Y8 to Y335, while Nip*pon Kokan added Y5 to Y335 in active trade. Showa Denko climbed Y17 to Y700.

The ascending yen sent bond prices sharply higher as dealers and some institutional investors stepped up buying.

The yield on *the 5.1 per cent* government bond due in June 1996 plunged from Wednesday's 5.065 per cent to 4.520 per cent at one stage. After a slight upturn, it closed at 4.580 per cent.

On the Osaka Securities Exchange, prices also suffered a *sharp setback, with the OSE* stock average 629.45 lower at 22,452.47. Volume dwindled to 75m shares.

Sakai Chemical Industry fell Y180 to Y2,430 and Toda Kogyo dropped Y150 to Y1,450. But Morita Fire Pump scored a maximum daily advance of Y100 to Y1,300 on speculative buying.

TAIPEI: Taiwan's Securities and Exchange Commission introduced further measures to try to support the market but investors were not immediately convinced and share prices continued their downward slide.

Sharp falls in banking ... other sectors lower ... insurance, construction ... plastic stocks hard hit.

KUALA LUMPUR: News ... the Malaysian Government ... banned all political ... eased tension and lifted ... prices for the first time ... days as the KLSE ... bounced back with a ... cent rise.

Blue chips Malaysian A... System added 36 cents to ... 4.18 ringgit a share and ... sian International S... Corp rose 40 cents to 4.90 ...

SEOUL: Selective buying ... nancial and construction ... prevented further stee... clines in South Korean ... prices. Investors were ... vous and kept away fro... chips fearing that a reces... the US might depress So... rean exports.

SINGAPORE

CONTINUING con... the political situat... sia, coupled w... Tokyo and ... share pri... trading.

The S... index ... to 761.52, ... per cent as a steeper ... was ... ed off by select... gai... ing.

There was active trad... the 300m new DBS land ... issued yesterday. The ... went better than expect... ing from a low of 80 c... close at S$1, or 35 cents ... the issue price.

Blue chips were ... mixed. The main losers ... ed Fraser and Neave, d... cents at S$6.80, Nation... which shed 8 cents to S... Singapore Press Holding... 15 cents at S$8.15.

AUSTRALIA

A SHARP fall in the ... lian dollar sent major ... tumbling and share ... sharply lower. The revi... Ordinaries index fell ... 1,286.2, a 7.3 per cent ... now stands at its lowe... since October 1986.

Losses were widespre... transport, insurance, me... and banking issues hard...

In resources, CRA dro... cents to A$4.50, Boug... lost 50 cents to A$2.50 an... ern Mining fell 41 c... A$4.85.

A firmer bullion pric... to inspire the gold secto... son led the slide, d... A$1.50 to A$7.50, while ... Creek fell 80 cents to A$... Metana lost 60 cents to A...

Hong Kong dives agai[n] on institutional sellin[g]

MAJOR institutions emerged as sellers in Hong Kong yesterday whenever signs of a rally began to appear and the Hang Seng index fell sharply to 2,204.52, a loss of 165.64 points or 7 per cent, *writes David Dodwell in Hong Kong.*

Trading volume also slipped back to HK$2.01bn - compared with a daily average of more than HK$3bn over the past month - as major stockbrokers avoided trading with brokers on their "watch lists" of companies that may be *facing financial dif*ficulties.

"What I see is major institutions trading almost exclusively among themselves outside the market," said one stockbroker. "With anyone else, they are demanding cashier's orders. It's medieval, but it's the only way of avoiding rubber cheques at the moment."

At present, defaults in Hong Kong have been confined to traders in Hang Seng index futures on the futures market. Representatives *of the 39* members who were issued on Tuesday with writs totalling HK$1.8bn met Mr Wilfrid Newton, the exchange's new chairman, to discuss solutions to their financial problems but none were revealed yesterday.

The moment of reckoning was upon many futures brokers holding net long positions since the settlement price for ... contracts - likely to be ... 2,205 - was to be ann... overnight. Contracts bo... ther directly, or on beha... ents at around HK... apiece with a deposit or ... of just HK$15,000 were ... 2,205 level, worth ... HK$110,000 each.

November and Decem... tures contracts closed ye... at 2,145 and 2,100. Th... comfort to some traders ... seemed to suggest a floo... beyond which the Hang ... dex is unlikely to fall.

Futures exchange ... commented that today ... critical test of long-ter... pects for the market ... whether or not trading b... January contracts.

On the stock exchange ... tainty appeared to be ... ing as brokers acting f... managers tried to sell ... to meet redemption d... from individual in... Large investors - inclu... Royal Hong Kong Jock... the Bank of China, and ... ber of major corporati... the Hongkong Bank - ... ing steadily.

Among the most activ... Hongkong Bank lost 35 ... HK$7.25 and Cheung K... down 60 cents at HK$7.5... Hutchison Whampoa ... cents to HK$7.95.

Swedish bourse chief appeals to US as shares plunge

BY SARA WEBB, STOCKHOLM CORRESPONDENT

AS STOCKHOLM'S stock exchange yesterday registered a fall of 9 per cent, its biggest one-day drop during Black October, Mr Bengt Ryden, chief executive of the exchange, said it was up to the US Government to put an end to the nervousness in the world's stock markets.

Mr Ryden also warned in an interview that what happens to the Swedish stock market today and on Monday would be "very decisive for what happens in the next few weeks."

"We are dependent on political decisions in the US, and if we don't see changes for the better very soon, confidence will be hurt," he said.

The chief executive said he was worried the fall in the Stockholm market was taking a dangerous turn, leaving small investors particularly exposed.

The Stock Exchange general index, which begins at a base level of 100 at the start of each year, has staged a series of *large one-day falls. Mr Ryden,* however, expressed surprise at yesterday's drop of just over 9 per cent to 97.33 (compared with the 1987 high of 138.11 on October 8).

"I thought that the Stockholm market had stood quite well against the downward pressure until today, due to the stabilising effect of the institutions," he said. Institutions carry about 70 per cent of the Swedish market's capitalisation.

*Mr Ryden said he did not be*lieve that the institutions would be tempted to sell out "because they are the long-term investors."

Most of yesterday's selling, *though, judging from the size* of the transactions, was by small- and medium-sized investors, and it is their vulnerability which unsettles Mr Ryden.

"I believe that many small investors have borrowed heavily to buy shares, and now they cannot cover their loans so they need to sell," said Mr Ryden. "They are nervous and their capital is running out."

Mr Ryden placed responsibility for steadying nerves on *the world's markets at the door* of the Reagan administration. He said the US should act decisively and with "some kind of political determination" to solve the run on the world's stocks. *"As long as they don't* do anything, the nervousness will continue," he said.

Asked about damage to the Stockholm bourse, Mr Ryden said that in addition to the harm done to the confidence of small investors, trading in Swedish shares overseas had been seriously affected and this in turn had hurt Stockholm.

For Swedish blue chips such as Volvo, SKF, Asea, Electrolux and Pharmacia, the daily *volume of shares traded is of*ten larger overseas than on the domestic stock market. The shares are mostly traded in London, New York and Tokyo, and a third of the total market capitalisation of these five stocks lies abroad. The upshot is that Swedish share prices are *increasingly driven* by market movements overseas.

"American investors are selling out their marginal shares, such as Swedish shares, and that of course depresses the market," said Mr Ryden.

However, he is optimistic that his Government will take measures to woo foreign investors to the Stockholm market by allowing them an exemption from the market's turnover tax. In July last year, the Government doubled the tax, a move which sent a large body of business overseas where transaction costs are lower.

Mr Ryden also said that the stock market crisis was hurting investment decisions in Sweden.

The investment company Argentus, for instance, is post*poning a new issue it had* planned to make for the takeover of Beijer, another Anders Wall company.

Furthermore, SCA, the forestry group, recently announced that it would raise up to SKr1bn ($161m) - partly in the US - for acquisitions overseas.

Yesterday, however, Mr Bert Moss, the group's finance director said: "The erratic market makes it impossible for us to know what will happen out*side Sweden. The earliest time* we could make the issue is December."

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